Decentralization and Local Cooperation in Poland: The Benefits of Special Purpose Associations of Gminy

by

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Submitted to the Department of Urban Studies and Planning in partial fulfillment of the requirements for the degree of

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ABSTRACT

This paper explores some benefits of voluntary cooperation among local governments in Poland,
as undertaken through a legal arrangement known as a Special Purpose Association of Gminy (SPAG).
SPAGs are a flexible institution that has allowed local governments to experiment with
a variety of different approaches to regional development. The two successful cases of SPAGs
presented here highlight improvements in financing, budgeting, planning, dispute resolution and
transparency. Their experiences may inform decision-makers and lead to better performance at
the local level.

The Wolin Island and Wladyslawowo SPAGs stood out from others on one essential
basis: their budgets for joint infrastructure projects were large. These two regions built support
for cooperation by framing their institutional environment in two ways. First, each region was
well delineated, and membership restricted to a small number of gminy, enabling deeper
commitments. Simultaneously, the SPAGs improved links with a variety of higher governmental
agencies, emerging as ‘one-stop-shops’ for financial and regulatory concerns for specific regional
developments. These day-to-day interactions proved essential in reinforcing SPAG objectivity,
overcoming an important hurdle in local cooperation.

Effective intergovernmental connections emerged in different ways in each case: on
Wolin Island a group of local actors directed the process, while in Wladyslawowo the provincial
government acted as a catalyst. This evidence, encouragingly, suggests that regional cooperation
can be effectively promoted at a variety of levels. It also points to the importance of vertical and
horizontal links between governments in generating good performance in decentralized systems.

Thesis Supervisor: Paul Smoke

Title: Associate Professor of Political Economy and Planning
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Dedication

The research for this paper was conducted in the summer of 1997 as part of a United Nations Development Programme study of decentralization. I am grateful for their support.

Numerous individuals contributed positively to this Master’s thesis. Professor Grzegorz Gorzelak of the University of Warsaw gave me a home at the EUROREG Institute while I conducted my research. Professor Paul Smoke supported me patiently and critically through several very rough drafts. Rick Woodward of the CASE Foundation provided expert advice and fine friendship. Much of what is good here is the result of their efforts, and inaccuracies or inadequacies are mine alone.

Fred Olowin
Glossary of Polish Administrative Terms

**Gmina (pl. gminy):** the smallest geographical unit in the Polish system of administration, with a locally elected council. There are approximately 2400 gminy. Some English texts refer to gminy as municipalities or communes.

**Eko-Fundusz:** An environmental fund operating on the national level in parallel with and supplementing the National Environmental Fund.

Environmental funds: a series of national and voivodship-level boards with revenues and expenditures independent of the central government. Environmental funds often have representation from central and local governments, academia, industry and civil society. Each voivodship’s fund determines funding guidelines, which generally include grants for educational projects and preferential credits for 50-80% of an infrastructure project.

**SPAG:** Special Purpose Association of Gminy, or Zwiazek Komunalne (“Communal Association”) in the Polish original.

**Voivod:** governor of a voivodship, appointed by the Prime Minister.

**Voivodship:** a province or department sized administrative jurisdiction, with some authority over gminy and a coordination role between sectoral ministries. A voivodship does not have a budget independent of that of the central government.
Chapter One: Summary Findings

This paper explores some benefits of voluntary cooperation among local governments in Poland, as undertaken through a flexible legal arrangement known as Special Purpose Associations of Gminy (SPAG). Cooperation does not often occur easily, and the majority of SPAGs have not accomplished their special purpose. By exploring two successful SPAGs in detail I hope to illustrate in which areas they can reasonably be expected to achieve results.

SPAG formation takes place in the context of a newly decentralized public administration, and can also inform the process of decentralization in Poland and in general. This focus on a specific administrative mechanism is an attempt to identify concrete, proactive means of achieving better local government.

Most SPAGs seek to provide and operate infrastructure on a regional basis. The main impetus for forming a SPAG has been the possibility of generating revenue or consolidating service provision across a region. Achieving economies of scale can lower total costs, and lumpy capital investments can be smoothed across several gmina budgets. Polish local policy makers and administrators have recognized these potential benefits, which are particularly important given the lack of resources in Poland at the local level. Realizing the potential of SPAGs seems easier among small groups of gminy of equal size, and SPAGs have proven more durable when higher levels of government take an active concern in a region’s development. SPAGs have played an important role in resolving conflicts between gminy, and have offered improved transparency and accountability as well.

1 Gminy is probably best translated as ‘municipalities.’ See the glossary for meanings of other Polish terms.
Decentralization and Cooperation in Theory and in Poland

The experience of SPAGs touches on an aspect of decentralization, effective cooperation between local authorities, that is important in both the Polish context and the broader understanding of decentralization and public administration. Answering the question ‘how do SPAGs work best’ leads to conclusions on two levels:

1) the ways SPAGs can improve performance at the local level, and
2) how SPAGs themselves can be better structured to achieve these results.

One of the themes of this paper is that SPAG development is an ongoing process, which yields results incrementally. Each successful case built upon a growing reputation to take on more responsibility; regional thinking led to regional planning which led to regional project funding (though not always in this order!) SPAGs should be considered interactive systems, which can develop as positively reinforcing under good conditions.

Many decentralization programs and studies of decentralization are preoccupied with idealized end states, failing to recognize that even mature governmental systems continually shape and reshape central-local relationships. By way of example, the long-standing tension between US states and the federal government, the recent local redistricting in the UK, and the emphasis on regions in the EU are ongoing, active processes. Bennett has noted that, by the time a reform of jurisdictions has been implemented to meet a particular requirement, the problem has often changed (1997). Public systems of administration thus defy perfection, a fact that seems to make positive steps of any sort difficult, in the absence of a convincing single ‘right’ way to take them. Nevertheless a growing body of literature has spoken of the importance of good
government\textsuperscript{2} in achieving economic and social goals within the limits of national resources. In the absence of a unifying theory of good government, it may be more appropriate, if also more modest, for policy makers to simply seek demonstrably \textit{better} government. SPAGs are one mechanism that can help Polish public administration work better.

Improving coordination between member \textit{gminy} is a basic aspect of SPAGs. The importance of horizontal coordination is an area that has been recognized in general terms in the public administration literature. Bennett has listed the basic problems succinctly:

\begin{quote}
"...functional activity space crosses over many small commune or local government boundaries with resultant 'spillover' problems and confusion of lines of representation, accountability, environmental impact, functional responsibilities and disruption of participation." (1997, p.326)
\end{quote}

SPAGs have the potential to address this problem by matching specific areas of efficient functional activity with political representation for any and all services. SPAGs represent a variation lying between the two extremes of 'functional fragmentation' and 'jurisdictional fragmentation' discussed by Bahl and Linn (1992). Functionally fragmented administrations divide public responsibility across particular urban services; that is, one authority for water, another for electricity, a third for transit; much like utility districts common in the United States. Jurisdictional fragmentation divides all services into separate governing bodies, improving coordination between services while sacrificing coordination for services across boundaries. To continue with this jargon, one might refer to SPAG administrations as 'functionally linked fragmented jurisdictions'. Other types of coordinating organizational structures exist, notably in large metropolitan areas. Seoul and Jakarta, for instance, combine both provincial and local responsibilities in a single administration. Manila and Tokyo local authorities have transferred

\textsuperscript{2} Many prefer to use the terms 'good governance' in order to encompass the active participation of private citizens, firms and other interest groups. These actors are not addressed in particular here, notwithstanding their importance as
some functions to a second, supervisory tier, and a number of Latin American cities have commissions with state and local representation to manage metropolitan affairs. Horizontal cooperation between local governments is found in Calcutta, Bogota and Asuncion (Rondinelli & Cheema, 1988). It is uncommon for these types of institutions to be developed in less urbanized areas, as has happened in many SPAGs.

In Poland, a large scope of activity is concentrated within small gminy boundaries: in other words there is a high degree of jurisdictional fragmentation (Horvath, 1997). One of the main risks with fragmented jurisdictions is that, although such authorities will be able to identify subtle variations in local needs, they may be so small as to lack the capacity to address those needs (Bahl & Linn, 1992). This lack of capacity was a strong impetus for the union between Wladyslawowo and Jastarnia, one of the success cases discussed below. Thus SPAGs have an important finance purpose as part of their coordination role. They can also serve to build trust between neighboring gminy, opening several other possibilities for regional action. Private services can be contracted on a regional basis (as in Plock and fourteen neighbors for waste collection, for instance), an independent public utility district might be formed (though none have been), or other innovative regional approaches taken (such as the case of Zywiec, discussed below and in Appendix I). To date such regional approaches have not been formalized across the Polish administrative landscape – they have happened in an ad hoc way, though SPAGs have often played a role.

The need to address problems resulting from jurisdictional fragmentation is clear, but it has not been tackled systematically in Poland. The 1990 law that established locally elected governments in Poland was a revolutionary step resulting from a unique national political will. It
was implemented to emphasize democratization rather than a comprehensive administrative reform, and the effort to decentralize administration remains incomplete (Grochowski, 1997).

Independent actions taken by local authorities are essential to the dynamic process of decentralization, and this is especially so in Poland’s recent history. For example, in 1994 the 46 largest Polish cities demanded and received greater powers after the *voivodships* proved unable to handle some local needs adequately. Most local authorities in Poland have learned to adapt to the new democratic system remarkably quickly, though some have performed better than others. Success cases can be used to guide further improvements in the system of public administration.

Voluntary participation in a SPAG is another part of this dynamic political process of finding effective ways to meet local needs, and more than a third of all *gminy* participate in one (Gorzelak & Jalowiecki, 1996).

SPAG legal arrangements have cognates in other transition economies as well. Hungary, the Slovak and Czech republics have all experimented in a variety of ways with institutions for cooperation between localities (CCET, 1996). This study does not undertake an international comparative approach, but conclusions drawn on the basis of successful SPAG operations are likely to have application in those nations as well.

**The Legal Basis of SPAGs**

Polish law has two mechanisms under which *gminy* may engage in cooperative ventures. The first is contract law, commonly described as understandings (*porozumienie*) between two or more parties. The second mechanism is a SPAG. SPAGs are an institution written into the 1990 Law on Local Government in emulation of aspects of the Charter on Local Government Rights (signed by 24 European countries). A SPAG has a council and an administrative body with
representation by local politicians, and under the law a SPAG has the same legal status as a *gmina*. When a group of *gminy* agree to form a joint SPAG administration, the law specifies that the following general set of criteria must be stated in order to be registered with the Council of Ministers.

- Name and seat (*siedziba*) of the Association
- Date of founding and duration of the Association
- The Association’s tasks (its special purpose)
- The organs of governance, the scope of their operations and their structure
- Number and names of member *gminy*
- Procedure to join and exit the Association

Beyond these basic registry criteria, SPAG operations can cover virtually any sphere of activity members chose to pursue. Most of these agreements among *gminy* have focused on joint provision of a service or construction of a piece of infrastructure, though a significant minority deal with tourism or cultural affairs. Their emphasis can change, as in the case of the Pilica River Basin Association, which shifted from economic development goals to environmental protection (CCET, 1996). Some *gminy* are members of several different SPAGs with different boundaries. This seems to have happened most frequently in the tightly packed urban agglomeration of the Katowice Voivodship, where a patchwork of transportation associations coordinate service and funding across that region (Mitric, 1996). There are also varying degrees of commitment to SPAGs: some act as informal local clubs; and some tackle a wide range of tasks while others have very specific goals, such as ensuring a clean water supply in Krakow (the Raba River Basin SPAG).
Methodology

The focus of this research is the horizontal and vertical intergovernmental financial flows among gminy and between gminy and voivodships that result from regional contracts. After an initial review of local government financing techniques in Poland, SPAGs and other regional cooperative structures appeared to be a promising mechanism to finance local infrastructure. The results from the SPAG cases examined here build on prior, more general reviews of SPAGs, which explore some limitations of regional cooperation in a broad fashion. At least two surveys of SPAGs have been conducted, one by the University of Warsaw’s EUROREG institute (Gorzelak & Jalowiecki, 1996) and a second by USAID (Potocki, 1996). SPAGs have been referred to with regularity in conferences discussing urban service provision and decentralization as well.

The methodology adopted for this research aims to inform this more general understanding by comparing cases of regional financing of infrastructure and services and developing a common group of successful elements. A case-study approach was chosen so as to capture some of the complexity of good performance, and also to delve into some of the problems not addressed in the surveys to date because of their more general nature.

The bulk of the data on individual cases has been provided through interviews with primary participants: mayors, SPAG directors and directors of municipal enterprises. I explored their main priorities and the structure of the regional administration, and the importance they attached to it. I also asked open-ended questions about their relationships to other levels of government and contractors, and the dynamic of decision-making in their administration. SPAG budget documents were the main quantifier of success, and these are shown in Chapters 2 and 3. A variety of other local and national budget figures were also examined, to evaluate the
effectiveness of revenue generation for infrastructure provision, and other statistical analyses as available and appropriate.

**Selection of Success Cases**

Success cases were selected primarily on the basis of the size of their budget. Many SPAGs have good plans, but most have difficulty translating them into action. The EUROREG survey identified the primary problem of SPAGs as ‘slim sources of finance’, reported as a ‘very significant’ problem in 63% of those surveyed, and ‘significant’ in a further 32% (1996). SPAGs with minimal budgets to cover administrative expenses and meetings were not considered successes by my criteria. A 1996 conference sponsored by the British Cooperation Fund, examining problems of local solid waste management, pointed to some particular regional arrangements that had been more successful. Phone interviews revealed a half-dozen promising candidates that appeared to have greater independent resources. Site visits confirmed the choice of two success cases: Wolin Island and Wladyslawowo.

The final choice of success cases was limited by the authors time and energy, and is not meant to represent the only or best successes in regional cooperative arrangements. In particular, SPAGs with a small budget might still fulfill an effective coordination function or build trust on a regional basis. The large total number of SPAGs and shortage of comprehensive information about them made a completely objective selection process difficult. Other innovative regional cooperative arrangements may also exist. In addition, each of the successes had a primary emphasis on environmental concerns and infrastructure provision, areas that have significant additional access to capital from the various Polish environmental funds. Other SPAGs,
organized strictly around economic development or transit, for instance, may only benefit from
the more general conclusions I make.

The Wolin Island SPAG consists of three adjacent gminy on the border with Germany,
and the Wladyslawowo SPAG has four gmina members north of the Gdansk metropolitan area.
Each of these two SPAGs was able to leverage outside matching funds with local revenue for a
series of environmental infrastructure projects. The presence of this funding strengthened the
SPAGs and gave an otherwise fractious and weak regional forum some actual decision-making
power and an independent source of influence. The engagement of the voivodship level of
government in the affairs of the SPAG seemed to be a crucial step, which triggered cooperation
in Wladyslawowo but came somewhat later on Wolin Island. This independent funding gave the
regional authority an influence separate from its member gmina, which led to a number of
significant additional benefits. These are:

- better investment planning,
- effective inter-gmina coordination and dispute resolution, and
- greater transparency and modified accountability in decision-making.

These three elements are important in the continuing reform of Polish administration.

Use of Background Cases

In order to provide a contextual basis for the successes, three other cases are illustrated in
some detail, including Beskid ltd., the town of Lublin and the Brwinow SPAG. The Beskid ltd.
landfill, jointly owned by fifteen gmina around Zywiec, presented an interesting variation. While
not the focus of this research, the Zywiec case is important and highlights the inability of most
SPAGs to jointly operate and consolidate services regionally, perhaps their greatest shortcoming.
Brwinow failed to generate revenue or significant cooperation, and Lublin and a number of
surrounding gminy established a regional landfill through a series of bilateral negotiations, without an institutional framework.

It is important to note that the author does not claim that SPAGs are superior forms of organization for delivering local services, or for addressing equity considerations. There is too great a diversity of circumstances to make such claims. Nevertheless these regional cooperative institutions are one way to overcome a number of difficulties that stem from jurisdicational fragmentation.

**Outline of the Thesis and Summary Findings**

Both Wolin and Wladyslawowo function better in the four areas of resource mobilization, investment planning, coordination and transparency. Each of these areas of success in regional cooperation are presented here in brief and elaborated in Chapters 2 through 5, respectively, with specific evidence presented from the case studies.

**Resource Mobilization & Vertical Coordination (Chapter Two)**

It is crucial for localities to identify mechanisms that effectively leverage revenue to continue to repair and expand their infrastructure systems, the bedrock of development. Gminy are poor, and lack resources to carry out needed infrastructure improvements. Wolin and Wladyslawowo were able to lever significant outside revenues from a wide variety of sources, which in one budget year amounted to nearly half of the member gminy’s combined expenditures. They were able to do this by focusing their efforts on environmental projects which have obvious cross-border externalities, by selecting projects of a regional nature that satisfied outside funding institutions, and by developing a working relationships with their respective
Existing mechanisms for oversight and support of gminy are limited and ineffective, and the interactions generated by the flow of funds fills a crucial gap in the current Polish administrative system. SPAGs are attractive targets for voivodship funding because of the regional impact of investments. They also receive support from the highly developed system of environmental funds in Poland. While initially aimed strictly at receiving funds, both Wolin and Wladyslawowo were able to assemble regulatory actors alongside local decision-makers and funding agencies, and move forward with the targeted ‘special purpose.’ They generated and benefited from a high level of cooperation between gminy and voivodship personnel.

**Investment Planning (Chapter Three)**

*Gminy* have only been independent since 1990, and have had to develop a series of new skills to perform a new set of functions. Budgeting, accounting, finance and project implementation skills are all in short supply, a problem which is particularly acute in smaller gminy. All SPAGs have some level of capacity sharing between members, an initial step to meeting this gap. The success cases in Wolin and Wladyslawowo, however, further possess technical representation on their administrative councils, improving the quality of decision-making, and ensuring that political decisions are taken in the context of economic and technical realities to a greater extent.

This shared capacity has enabled SPAGs to develop a programmatic approach to investment expenditure, a significant improvement over the prevalent, *ad hoc* approach. In

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3 Further, multi-year financial planning is rare except in the largest gminy. For a detailed discussions of problems in gmina finance see IBRD, 1997 and Swianiewicz, 1996.
general gminy spend funds as they are realized rather than investing according to a designated plan, and (debt) financing in order to complete a needed project is rarely considered. The Wolin and Wladyslawowo SPAGs have comprehensive environmental infrastructure development plans, put together through a series of negotiations, developing a number of related investment priorities in concert with each other and sharing benefits. Significantly, these investment plans are undertaken on a multi-year scale, overcoming a legal restriction on allocating funds beyond a given budget year. They are made binding because projects depend on outside funding, which is likely to be lost if gminy fail to commit funds to the project.

Conflict Resolution & Horizontal Cooperation (Chapter Four)

All jurisdictions implement programs and policies and undertake developments that have some impact on neighboring jurisdictions. In Poland there are few means to resolve disputes arising from such impacts between gminy. SPAGs are probably the best of these means available, but they rarely function as smoothly as they might. The success cases here, bonded together by a pot of funding, were often able to address these impacts proactively by coordinating investments. They offered a forum to debate problems between members on an equal footing, as well as providing an administrative apparatus that has the authority to act to resolve such problems. In many cases, regional institutions have been dominated by a single, larger gmina, a circumstance which can breed mistrust and limit cooperation between members. The establishment of an SPAG administration independent of any one gmina's influence, can build a truly regional sense that is central to resolving conflicts.

The Wolin SPAG has been particularly successful in fostering a genuine independence rooted in academic and technical expertise, developed in concert with the personnel of the Wolin
National Park. Władysławowo’s independence came through close linkages with the Gdansk Voivodship. In addition, members in both successful SPAGs were roughly equal in influence, a balance of power that helped maintain this independence. While it is difficult to quantify the beneficial effects of this coordination activity, SPAGs represent a clear improvement over the bilateral disputes which typify current inter-gmina activity (see the case of Lublin, described in detail in Appendix I). In addition, the administrative structure of a SPAG provides continuity in relationships between gminy, and the opportunity to build a political will for regional understanding. An unsuccessful SPAG may eventually develop the mutual trust necessary for its members to work in concert.

Accountability & Transparency (Chapter Five)

SPAGs represent a vivid snapshot of the growing pains of new Polish democratic institutions, as they grapple with competing interests within and between localities. Associations of gminy have two important effects on public accountability at the local level: a shift in institutional accountability, and greater transparency in decisions related to capital investment. On balance, these changes seem to provide a significant benefit.

First, formal lines of accountability are moved away from the electorate and towards the voivodships. Representatives are not popularly elected to their SPAG posts, and the collective responsibility of a group of mayors is more weakly connected to voters than if there were a single lead individual. However, a SPAG is able to take responsibility for specific regional impacts, where no such responsibility existed before. Further, the most important regional decisions taken by a SPAG are ratified a second time, within the councils of member gminy. In the successful cases, primary oversight has fallen to higher levels of government, and regional investment
prioritization undertaken through SPAGs must undergo the scrutiny of outside funding sources and member gminy themselves before action is taken. The system is one of checks and balances, rather than direct linear oversight of SPAGs by a specific outside group (e.g. ‘the public’). The technical nature of infrastructure development may make this greater upward accountability worth the corresponding limitations to the local public, particularly given the long time scale of investment, which usually spans several electoral cycles.

Second, investment decisions made through well-functioning SPAGs are more transparent: the collection of diverse neighboring gminy, voivodships and other agencies demand open information, and if it is not forthcoming these relationships soon stagnate. Transparency is not only limited to information sharing between those in authority, either. A public conference to discuss environmental issues held on Wolin Island represents a major step towards more participatory decision-making, a direct and preferable form of accountability. This transparency has, furthermore, improved internal accountability of staff, providing clear goals, a set of discrete tasks related to investment planning, and linkages to a stated policy agenda. The interplay between mayoral representatives underpins this openness, and outside funding bodies provide a catalyst. This multilateral and reciprocal scrutiny is an important safeguard against the potential for mayors to dominate gmina activities, and it represents an important additional layer of accountability.

Conclusion

Chapter six offers some policy recommendations for Polish lawmakers and local authorities, using SPAGs as a model for developing more successful regional cooperation. In particular, associations with a small number of members, which focus on establishing an
independent administration, seem more likely to enjoy success. A broad scope of purpose can, further, facilitate flexibility in building relationships between members.

However, the vertical coordination generated through SPAGs seems equally important in contributing to SPAG success. Voivodship support for SPAG institutions can have a significant impact on their development, and help start a cycle of positive reinforcement that can deepen a regional political will. Voivodship technical expertise can help build professionalism in local investment planning, and voivodships can act as a final arbiter in disputes between SPAG members.

There is an implicit tension in decentralization, between the larger vision of national authorities, and the ability of lower tiers to provide detailed and specific responses to divergent local needs. These benefits are complimentary, and need not be mutually exclusive. Combining benefits of scale with benefits of efficiency will only take place if effective communication between governments is developed, and options that serve both locals and broader constituencies are weighed. SPAGs have the capacity to provide this communication in Poland, and the dramatic successes of Wolin and Wladyslawowo are testament to the effectiveness of the institution.
Chapter Two: Resource Mobilization & Vertical Coordination

Wolin and Wladyslawowo were successful in mobilizing resources by securing outside funding rather than sharing costs among members. Attracting revenue is one thing that SPAG members can easily agree upon, and many SPAGs seem to have taken on a lobbying or grant-seeking role as a primary activity early in their operations. The success cases were also notable, though, in the significant local commitment of revenue beyond outside funding. This chapter presents some comparative and absolute measures of SPAG financial capacity. Although both cases drew on a remarkable variety of outside resources, the voivodship and the voivodship environmental funds played a key role. Better links with the central government through the voivodship were a large part of each success.

Outside Funding in the Success Cases

The level of financial capacity displayed in these successes is far beyond the average gmina's reach. Wolin and Wladyslawowo SPAG revenues compare favorably with average investment levels in Poland. Considering the country's status as a lower-middle income country (annual GDP around $2250 per capita), the absolute value of funds levered through the SPAG structure is significant. Table 2.1 presents a measure of the importance of SPAG revenues, comparing resource mobilization figures to the average gmina investment in all municipal services.

<table>
<thead>
<tr>
<th>Region</th>
<th>Annual Per Capita Investment (1997 $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wolin</td>
<td>$62.7</td>
</tr>
<tr>
<td>Wladyslawowo</td>
<td>$31.3</td>
</tr>
<tr>
<td>Gmina Average</td>
<td>$17.3</td>
</tr>
</tbody>
</table>

Wolin and Wladyslawowo figures include SPAG projects only.
Source: author's calculations from case data and data from Barbone & Hicks, 1995.
In most other cases, SPAG budget commitments represent only a small fraction of total member gmina revenues. The Wolin and Władysławowo cases, however, depended on the SPAG for the bulk of their investment expenditures on local infrastructure. Table 2.2 compares the revenues of the SPAG with three budget years from member gminy. In 1994 (the earliest year in which gmina budget figures are available), money for SPAG projects on Wolin Island amounted to 45% of the sum of all three gminy’s total revenues.

**Table 2.2: Wolin SPAG Revenues Relative to Member Gmina Budgets, 1994-1996**

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<tbody>
<tr>
<td><strong>SPAG Total</strong></td>
<td>2,964,624</td>
<td>1,556,931</td>
<td>641,979</td>
</tr>
<tr>
<td><strong>Total as % of gminy rev.</strong></td>
<td><strong>45%</strong></td>
<td><strong>23%</strong></td>
<td><strong>8%</strong></td>
</tr>
<tr>
<td><strong>Gmina member revenues</strong></td>
<td>6,598,839</td>
<td>6,908,177</td>
<td>8,059,269</td>
</tr>
<tr>
<td>(of which Dziwnow)</td>
<td>1,620,422</td>
<td>2,130,954</td>
<td>1,785,110</td>
</tr>
<tr>
<td>(Miedzyzdroje)</td>
<td>3,063,562</td>
<td>2,610,819</td>
<td>2,737,622</td>
</tr>
<tr>
<td>(Wolin)</td>
<td>1,914,855</td>
<td>2,166,404</td>
<td>3,536,537</td>
</tr>
</tbody>
</table>

Source: Wolin SPAG budget data and GUS (Main Statistical Office)

In addition to the comparative importance of the SPAG budget to the local budgets, Table 2.2 also indicates another problem of local infrastructure finance. As is the case in many gminy, annual revenues fluctuated wildly between 1994 and 1996 in the Wolin SPAG members Dziwnow, Miedzyzdroje and Wolin. This significantly hinders planning beyond the current budget year, and is a considerable detriment to project implementation. There are numerous examples across Poland of infrastructure projects that have languished incomplete for years and decades, and lack of reliable financing is an important part of this problem. Outside funding for SPAG projects helps assure resources over the scheduled term of the project, and outside support and shared capacity improve contracting procedures. SPAGs have managed to partially overcome this problem, and the Władysławowo SPAG, for example, considers one of its most important successes the completion of their wastewater treatment plant in just 18 months.
In both cases significant revenues were levered from outside sources. Wladyslawowo revenues were impressive, those for 1997 being $3,404,663. Table 3.2 in the following chapter (p.37) lists a breakdown of Wladyslawowo revenues for specific expenditures in 1997. More than one-third of that year’s revenues came from Eko-Fundusz, a national environmental fund, and another third from **gmina** contributions. A detailed breakdown of financing sources for the Wolin Island SPAG is presented below in Table 2.3.

**Table 2.3: Wolin SPAG Revenues and Contributors, 1991-1997**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Member <strong>Gmina</strong></td>
<td>62,575</td>
<td>309,857</td>
<td>634,267</td>
<td>618,558</td>
<td>274,143</td>
<td>580,038</td>
<td>716,875</td>
</tr>
<tr>
<td>Own revenues</td>
<td>3,112</td>
<td>6,758</td>
<td>7,119</td>
<td>25,972</td>
<td>13,834</td>
<td>7,947</td>
<td>3,594</td>
</tr>
<tr>
<td>Danish Ministry of Env. Protec.</td>
<td>0</td>
<td>1,070,476</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lemming &amp; Eriksson</td>
<td>0</td>
<td>87,639</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Eko-Fundusz</strong></td>
<td>0</td>
<td>0</td>
<td>175,575</td>
<td>1,136,308</td>
<td>191,540</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Voivodship Env. Fund (Grant)</strong></td>
<td>0</td>
<td>0</td>
<td>908,095</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>957,600</td>
</tr>
<tr>
<td><strong>Voivodship Env. Fund (Credit)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>775,738</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Voivodship</strong></td>
<td>0</td>
<td>30,620</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>46,836</td>
<td>456,000</td>
</tr>
<tr>
<td>National Env. Fund (Credit)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,183,786</td>
<td>301,676</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Investment Transfer</td>
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<td>0</td>
<td>243,560</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Budget surplus</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7,158</td>
<td>0</td>
</tr>
<tr>
<td>PHARE (EU)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>455,658</td>
</tr>
<tr>
<td><strong>Total (1997 $)</strong></td>
<td>65,687</td>
<td>1,505,351</td>
<td>1,968,616</td>
<td>2,964,624</td>
<td>1,556,931</td>
<td>641,979</td>
<td>2,589,727</td>
</tr>
</tbody>
</table>

Source: Wolin SPAG budget data

Wolin, as can be seen, was able to draw revenue from an extraordinary variety of local, national and international sources. In addition to the broad scope of actors intimately involved in funding projects on Wolin Island, Table 2.3 shows a significant level of **gmina** contributions to projects, although these remain a minority of total expenses. Like most SPAGs, the Wolin statute stipulates that the three members pay an annual membership fee, to cover basic operating expenses. This amounted to about $50,000 in 1997, only a small fraction of all local resources provided. In fact in 1996 90% of revenues were provided by gminy, indicating a much greater
level of local commitment to regional concerns than in other, less successful SPAGs. The excellent track record of the previous four years helped build this commitment.

**Coordination of Multiple Higher Authorities through SPAGs**

The high level of outside funding results from an improved degree of information sharing with numerous central administration bodies operating within the territory of the *voivodship*, including, for example, watershed authorities, and electricity and gas providers, to name a few. The successful SPAGs met a need in establishing a regional clearinghouse to consider priorities of various actors with responsibilities for specific tasks in the area. This need to coordinate activities has been noted as one of the main deficiencies of the emerging Polish system of decentralization (Horvath, 1997). Letkowski describes the system starkly, as follows.

> “Insufficient inter-administrative co-ordination is one of the decisive weaknesses in Polish public administration and helps to explain many performance deficits. To the extent that inter-administrative relations are at all taken into account in establishing or reforming administrative structures, it is the vertical ties that tend to receive the most attention, whereas horizontal linkages are scarcely acknowledged and very poorly developed.” (1993)

In SPAGs, vertical and horizontal needs have been addressed simultaneously. Projects and programs were evaluated for funding purposes, often from the very early stages of project selection. Plus, technical assistance from the *voivodship* played a role in both cases. In Wladyslawowo the Gdansk *Voivodship* itself developed the main aspects of the regional plan—the Puck wastewater treatment plant and underwater pipe passing below Jastarnia to the Baltic sea (see Map 2 in Appendix I for a picture of the area’s unusual geography). The national and *voivodship* environmental funds were specifically cited in Wolin’s case as being critical supporting actors, assisting with not only funding for project implementation, but design, feasibility, technical aspects and tendering as well.
The involvement of these upstream actors seems to have been a key aspect of the success: many SPAGs have not engaged outside institutions as fully as Wolin and Władysławowo have. The diversity of funding actors, while it helped make the successes in Wolin and Władysławowo greater, also reveals the true potential for coordination problems between these various outside parties, in addition to between member gmina themselves. Developing the association of gmina into a focal point for planning and coordination greatly assisted those organizations that had a mission to provide assistance.

Voivodship environmental funds have detailed limitations on the types of financing available for different kinds of projects. They do still inject a certain amount of discretion to their processes, however. For instance, despite the rigorous criteria a project must meet to receive funding, credits extended to gmina have been forgiven after only a few years of debt service on numerous occasions, rather than being recycled to help develop new projects. Many gmina are simply not aware of this, and remain reluctant to take on debt, even at concessionary rates offered by the funds. SPAGs are important in disseminating information of this nature and generally helping small gmina navigate the system of project finance. For instance, the Wolin SPAG published a book, Management and Development Program for Wolin Island, with two sections identifying international and national sources of environmental finance (1994).

Every gmina sees itself as lacking ‘sufficient’ funds, and there is a general awareness of the availability of funding from the central government and the environmental funds. However, voivodships have no independent budgets, and thus have no discretionary funding of their own. As a result, gmina go to the voivodship to request money that is in fact controlled by sectoral ministries and other agents only loosely unified by the voivodship.
SPAGs fill an important place in this system of financial transfers. Through the mechanism of regional investment planning, cooperative associations of gminy are a means for any of the higher-level government actors to ‘pre-screen’ local projects, with the assurance that several diverse local parties have concluded that a project or collection of projects fits together. In addition, this pre-screening goes some way to ensure that projects are not captured by local political interests, another concern of funding agencies, and a point addressed further in the discussion of accountability in Chapter 5. By keeping a pulse on regional developments in other parts of the administration, a SPAG can take advantage of unique opportunities. An intriguing example of such coordination came in Wolin, when a major expansion of a national gas pipeline was planned in order to connect to Germany. SPAG involvement, as the pipeline was being built in 1996, resulted in the timely expansion of the local gas network in Miedzyzdroje. The project fell under the SPAG’s mandate of environmental protection, as an improvement in air quality.

Both the voivodships as part of the central administrative structure and the voivodship environmental funds have strong stated preferences for projects of a regional nature. Voivodships see their role as an agent of regional development, while the environmental funds hope to mitigate the broader impacts (cross-border or even global) associated with environmental degradation. Thus regional cooperative structures often have a significant advantage over individual gminy in securing these funds. Investments or credits for a single large city might well be considered to have a regional advantage or effect. Regional investments, such as a landfill or a wastewater treatment plant, will also address regional problems and have a positive impact on the regional environment, but still be largely under the control of a single gmina.

Vertical coordination proceeded in both SPAGs from the very early stages of project identification. The Wolin SPAG has developed high quality proposals as part of a comprehensive
program with the help of a remarkable number of professionals. These have included consultants with the Danish environmental engineering firm Lemming and Eriksson, academics from the nearby city of Szczecin, professional staff at the Wolin Island National Park and other government employees. Members of the national park staff had been involved in the initial decision to form the SPAG, and were among the most committed to environmental improvements.

The comprehensive nature of this effort culminated in a 1994 conference held to discuss the environmental problems of the island, which attracted 97 attendees and was important in galvanizing diverse local and outside support for the SPAG. The jump in the ‘own revenues’ line item in 1994 revenues resulted from expenses related to the conference. The conference proceedings were printed in the aforementioned book, Management and Development Program for Wolin Island (1994), under the auspices of the Wolin SPAG and the Wolin National Park, and funded through the Ministry of Environmental Protection. Seven color maps give clear diagrams of existing wastewater and gas infrastructure networks as well as needed expansions and problem areas, such as uncontrolled landfills. A number of environmental and construction contractors attended this conference, with the anticipation of performing work on upcoming projects. The environmental engineering community in Poland is skilled, but small. These private actors likely have good connections with funding authorities, and their opinions may play some part in influencing which gmina projects get approval.

Some Explanatory Variables for SPAG Financial Success

Like the experience of most SPAGs, the cases shown here began with a desire to foster regional cooperation between gminy. In Wolin, there has been a long-standing local awareness of
the sensitive environment, and a recognition of the need for a common approach based on the
natural 'region' of the island. The Wladyslawowo SPAG was initiated when the mayor of
Jastarnia (population 3,000) decided to let his larger neighbor provide water and sewerage
services to his constituents, through a SPAG administration. This initial link was expanded to
include two other gminy when the Gdansk Voivodship made some program funding conditional
on the development of a more inclusive regional approach (Appendix I presents more
information on the background in each case). While each of the cases was formed under unique
circumstances, they succeeded through similar means. Four factors that contributed to revenue
raising capacity were exhibited in both instances. Each had good people, a broad but well defined
purpose, a small number of members, and a distinct geography.

Wolin and Wladyslawowo were good SPAGs, and both benefited from talented,
dedicated staff. The Wolin administration in particular was impressive, by any standard, in the
scope and quality of information it had readily available. The results in Wladyslawowo were
more influenced by personnel in the Gdansk Voivodship environmental department, but in either
case a dynamic of cooperation developed between gmina, voivodship and national actors through
the SPAG focus. This capacity 'pooling' on a regional basis improved project selection and the
quality of project, and was a significant probable cause of good revenue mobilization. Beyond
this aspect, geography, wide scope of purpose, and a small and manageable number of members
appear to have been the most significant variables for explaining SPAG success in resource
mobilization and coordination.

The conscious actions taken under the Wolin and Wladyslawowo SPAG administrations
do hold important lessons. As suggested in the previous section, an open and inclusive approach
to outside governmental institutions, rather than simple lobbying, facilitated funding. Both cases
also achieved greater success because their purpose was broadly stated as ‘environmental protection.’ This allowed for a degree of flexibility and diversification, matching local goals with a variety of accessible outside revenues. When the charter for the Wolin Island SPAG was written, for instance, the special purpose was recorded as ‘environmental protection, especially the construction of a wastewater treatment plant,’ thus capturing a broad scope while simultaneously establishing some momentum for the highest immediate priority. The Wladyslawowo SPAG accomplished a similar ‘broad but narrow’ scope, with joint provision of local water services underlying the larger investment planning and resource mobilization functions. The multi-sector character of their purpose enabled the two successes to identify larger or smaller projects, over a period of years. If one project failed to be funded the SPAG was not crippled: flexibility allowed for the incorporation of outside concerns and priorities, which, while possibly limiting purely local authority, contributed to success in raising revenue and generally coordinating outside support and local implementation.

The small and manageable size of both successful SPAGs played a role as well. A small number of members made generating a level of consensus about specific projects easier, so plans could be drawn up and funding explored. Also, every additional member significantly increases the time to consider and implement a project, leading to frustration, delay and undermining efforts to coordinate. While variations in circumstances abound, it seems likely that the larger the SPAG, the more diffuse it becomes. The average SPAG consists of nine members (Potocki, 1996), and it seems likely that many SPAGs have erred on the side of too many members rather than too few, thereby diluting common feeling. In addition, the total amount of funds leveraged by a smaller number of gminy can more easily be spread so that all members received some benefit, and more easily linked to provide specific cross-border improvements. For instance, each
of the new wastewater treatment plants built in the cases directly serve multiple members. Smaller SPAGs seem to enjoy advantages on other counts as well, discussed in Chapters 4 and 5 below.

Circumstances of geography on Wolin Island and in the Wladyslawowo area cannot be ignored in their influence on successful resource mobilization. Though many areas of Poland suffer from severe environmental degradation, water pollution tends to be most severe at the mouths of rivers, as with the Oder and the Vistula near Wolin and Wladyslawowo, respectively. Wolin Island itself provides a clear natural focus for cooperative action, and it was comparatively easier to galvanize support there on this basis. Wladyslawowo lies at the base of the Hel peninsula, and although geography seems to have played an important role in the initial formation of that organization, the expansion to include a wider scope of activity had little to do with this geography (see Appendix I for a discussion of the history of the Wladyslawowo institution). Except for SPAGs addressing very specific needs, regional cooperation rarely has such well-defined borders. Also, both areas also rely on tourism to local beaches for economic development, and there is a wide appreciation of the importance of the natural environment for the wider health of the community. This tourism provided an additional incentive for outside funding as well: Poles from throughout the nation enjoy the Baltic coast, and it is a national asset as well as a local one.

My own view is that geography may have had an important impact in determining the scope of cooperation: because the bounds of cooperation were discrete and obvious, both SPAGs chose include only a small number of gminy. This allowed for easier coordination, deeper cooperation and a progressively increasing commitment to regional objectives. While it is impossible to divorce all of the factors that contributed to success, and isolate their contribution,
this circumstance of geography was only one of several issues, and not in my view the dominant one.

**Shortcomings in SPAG Resource Mobilization**

There are several problems and potential problems with the way SPAGs receive and handle funding, the most significant of which lies in the fact that members, including those in these two success cases, do not fully commit themselves to a shared regional objective. Resource mobilization on a regional basis between jurisdictions can come in two basic forms, either sharing costs or collectively pursuing outside resources. Sharing costs and/or consolidating service, while often an explicit or implicit goal of SPAGs, has been problematic and has rarely been achieved. In the successes discussed here, service was only consolidated between Wladyslawowo and neighboring Jastarnia, primarily due to Jastarnia’s small size and limited capacity. The issue of consolidation is addressed more fully in Chapter 4, as it pertains to horizontal coordination.

Member *gmina* contributions to SPAG budgets are small relative to outside funding, and these funds generally went to projects within a single *gmina* and under a single *gmina*’s purview. Only in the largest projects, the wastewater treatment plants, were *gmina* funding requirements shared among the members (usually according to population, as in the case of Wladyslawowo). Most SPAG staff worked on a shoestring budget supplied by small member dues, compounding their dependence on outside capacity and outside resources. Money that was granted or loaned for projects from funding institutions flowed through the SPAG rather than to it; in fact the SPAG has no bank account or financial independence. The ‘own revenues’ budget item is very small and represents the only money under the discretion of the SPAG administration, resulting
from consulting activities. Thus the SPAG budgeting process is subordinated to gmina priorities: local funding issues take precedence over regional ones. Projects are listed on a SPAG budget because they are undertaken by members for the special purpose: SPAGs do not have independent sources of revenue nor do they take a truly unified regional approach. This creates a division between project selection and project implementation, although this should be understood in the context of SPAG coordination benefits.

The somewhat fragmented system of government administration can complicate the SPAG revenue-generating function in other ways. The process of requesting and receiving voivodship funding for projects has been described by some gminy personnel as one of “waiting their turn” (LEM, 1994). This lack of clearly defined and well-understood criteria for central funding of gmina projects (via the voivodships) invites politically motivated decision-making, and breeds an administration overly reliant on personal contacts. Since the primary purpose of SPAGs can be characterized as that of getting funding rather than providing service or infrastructure per se, this tendency towards politicized decision-making forces SPAGs into a lobbying role, and accepting the priorities of outside institutions, rather than focusing on designing innovative regional solutions. Many SPAGs become preoccupied with their role in securing grants, to the exclusion of adequately performing their special purpose, as was the case of Brwinow (see Appendix I).

This preoccupation is likely due to the lack of funds at the local level, and also to the hope that funds from voivodships or the environmental funds will be forthcoming at some (unknown) point in the future. This expectation is borne out in part by some statistical data from the early part of the transition period. Between 1991 and 1995, environmental funds account for between 40% to 58% of all investment in environmental infrastructure, while gminy as a whole
account for cover 13% to 20% (C4EP, 1995). The high level of resources the funds have at their disposal, compounded with insufficient local resource generating power, have made them appear indispensable to any environmental project (IBRD, 1997).

Heavy reliance on outside funds may have other negative consequences on gmina behavior, by discouraging implementation of cost-recovery measures, for instance, and possibly depressing tax effort and local revenue generation. It also can have a tendency to subordinate gmina priorities to those of voivodships or environmental funds, which may be a problem. Further statistical analysis would be necessary to understand the exact impacts of outside funding on gmina spending. What is clear is that outside forces and outside objectives have as much to do with the success of SPAGs as their internal structure and the commitment of their members.

Conclusion

The successes of SPAGs in Wolin and Wladyslawowo have been anchored by a steady stream of outside funding. The nature of their special purpose, with its broad environmental scope, allowed for tapping diverse and rich funding sources. In Wladyslawowo in particular interaction with the Gdansk Voivodship was crucial to turning a limited bilateral agreement into a well-functioning regional body, but intergovernmental cooperation played a role in Wolin as well. The basic budgetary data for each SPAG presented in this chapter indicates the major significance of SPAG revenues for member gminy. While other factors have played a role in the establishment and continued functioning of both SPAGs, substantial resource mobilization is the main factor that sets apart good and bad SPAGs.
Chapter Three: Investment Planning

While the revenue-raising capacity of regional cooperation mechanisms has been characterized by good links to outside sources, effective coordination and planning of regional investments is also an important aspect of the success cases. Strategic planning can have an overall beneficial effect on gmina budgeting, and it has proven difficult to implement in many gminy (Adamiak and Borodo, 1994). Good planning was accomplished in the successful SPAGs by addressing a block of environmental projects as a discrete set of problems, separate from the normal budgeting process, allowing for regional solutions and combining technical expertise with political considerations throughout the process. High variation in gmina incomes year-to-year, indicated in the prior chapter, is only one of several problems which hinders development of rational long-range investment plans.

SPAG Investment as a Solution to Local Budgeting Problems

In the success cases, the SPAG has been given a regional purpose, directed towards a cluster of environmental sector investments. The planning functions related to these investments are separated from an individual gmina’s budget and insulated from the restrictive annual budgeting process to a certain degree. Most gmina investment is characterized by ‘new budget, new plan’ behavior, which undermines appropriate long and medium term prioritization. This is not simply a case of lack of capacity or foresight: referring back to Table 2.2 one can see that revenues for gminy can be unpredictable from one year to the next. Debt instruments such as municipal bonds are not well enough understood to be implemented with confidence by gmina councils. The separate administrative structure of SPAGs enables them to overcome this behavior to some extent.
SPAG plans are also developed with an improved appreciation of political, financial and technical considerations, making them more feasible. The increased capacity at the local level because of close coordination with outside actors, primarily from central government, makes this possible. Plus, the internal structure of SPAG councils consists of both political representatives and technical representatives, from municipal service enterprises, for instance, who are familiar with concerns of environmental infrastructure. SPAG plans are not just benchmarks, goals or guidelines: they encompass real programs of action. Some level of outside buy-in was achieved early in the course of project selection and planning, making funding more probable, and allowing plans to be developed according to a variety of expert advice, subject to local considerations. The results of this combined planning process have been excellent in the case studies, as shown by the book *Environmental Management for Wolin Island* discussed in the proceeding chapter.

Data from the success cases show a range of projects that are developed in concert. A list of SPAG expenditures shows the collection of investments conducted by member *gminy* (Tables 3.1 and 3.2, below).

Wolin Island's wastewater treatment plant was the flagship project of the SPAG there, an urgent investment which was an important driver in the creation of the SPAG itself. The water balance study of 1993 was made to supplement this with an island-wide solution to problems of water degradation, problems that were addressed by expanding water and sewerage distribution networks to capture harmful effluent. This had been accomplished to a significant degree by 1996, and the SPAG followed up with studies of physical development and solid waste. This cooperative study, debate and fund procedure should yield good results in those areas as well.
Table 3.1: Wolin SPAG Expenditures, 1991-1997

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<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Build Wastewater Treatment in Wolin &amp; Miedzyzdroje</td>
<td>497,557</td>
<td>1,295,511</td>
<td>625,648</td>
<td>3,299,236</td>
<td>1,472,766</td>
<td>33,776</td>
<td>15,625</td>
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<td>Water Balance Study for Wolin Island</td>
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<td>28,113</td>
<td>0</td>
<td>49,146</td>
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<td>Wastewater in Miedzywodzie (design)</td>
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<td>68,520</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Build Water Piping in Dziwnow</td>
<td>0</td>
<td>0</td>
<td>591,159</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Build Gas Distribution in Miedzyzdroje</td>
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<td>0</td>
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<td>0</td>
<td>284,666</td>
<td>93,750</td>
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<td>Water Piping in Wolin</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water Piping in Miedzyzdroje</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>68,141</td>
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<tr>
<td>Water Piping in Dziwnow</td>
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<tr>
<td>Development Space Plan</td>
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<td>12,398</td>
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<td>Solid Waste Management Plan</td>
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<td>0</td>
<td>165</td>
<td>73,438</td>
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<tr>
<td>SPAG Operating Expenses</td>
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<td>48,678</td>
<td>44,839</td>
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<td>47,046</td>
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<td>50,469</td>
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<td>Tourist Promotion</td>
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<td>0</td>
<td>0</td>
<td>22,072</td>
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<tr>
<td><strong>Total (1997 $)</strong></td>
<td>506,199</td>
<td>1,353,353</td>
<td>1,358,279</td>
<td>3,358,206</td>
<td>1,541,884</td>
<td>641,978</td>
<td>720,469</td>
</tr>
</tbody>
</table>

Source: Wolin SPAG budget data summary

The Wladyslawowo SPAG was, similarly, built around an important piece of water and sewerage infrastructure, including a treatment plant in the town of Puck and a runoff pipe going under the Bay of Gdansk and through Jastarnia into the Baltic Sea (see Map 2 in Appendix I).

Table 3.2: Wladyslawowo SPAG Revenue Sources and Project Expenditures, 1997

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Eko- Fundusz</th>
<th>Voivod- ship</th>
<th>Voivodship Env. Fund</th>
<th>Wladyslawowo</th>
<th>Puck (gmina)</th>
<th>Puck (town)</th>
<th>Swarzewo ltd.</th>
<th>Own revenues</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipe construction in Chlapowo</td>
<td>114,286</td>
<td>114,286</td>
<td>0</td>
<td>171,429</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>400,000</td>
</tr>
<tr>
<td>Construct transfer piping and pump in Swarzewo &amp; Gniezdzewo</td>
<td>285,714</td>
<td>0</td>
<td>0</td>
<td>496,514</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>782,229</td>
</tr>
<tr>
<td>Wastewater transfer pipe to Baltic</td>
<td>535,229</td>
<td>90,486</td>
<td>285,714</td>
<td>87,914</td>
<td>37,514</td>
<td>102,171</td>
<td>0</td>
<td>0</td>
<td>1,139,029</td>
</tr>
<tr>
<td>Construct wastewater reservoir</td>
<td>305,800</td>
<td>38,600</td>
<td>0</td>
<td>37,000</td>
<td>15,457</td>
<td>42,257</td>
<td>0</td>
<td>0</td>
<td>439,114</td>
</tr>
<tr>
<td>Modernize wastewater pumping in Swarzewo</td>
<td>0</td>
<td>142,857</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>142,857</td>
<td>0</td>
<td>285,714</td>
</tr>
<tr>
<td>Construct administrative building</td>
<td>136,400</td>
<td>42,343</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>142,857</td>
<td>0</td>
<td>321,600</td>
</tr>
<tr>
<td>Modernization of energy supply in J.Gora</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20,143</td>
<td>20,143</td>
</tr>
<tr>
<td>Investment Purchases</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16,834</td>
<td>16,834</td>
</tr>
<tr>
<td><strong>Total (1997 $)</strong></td>
<td>1,377,429</td>
<td>428,571</td>
<td>285,714</td>
<td>296,343</td>
<td>549,486</td>
<td>144,429</td>
<td>285,714</td>
<td>36,977</td>
<td>3,404,663</td>
</tr>
</tbody>
</table>


Table 3.2 lists 1997 expenditures in the Wladyslawowo SPAG region, broken out by source of funding to give a different view of the allocation process. Here can be seen how every project has
some participation by a combination of actors, usually local, provincial and national (the *Eko-Fundusz* investments). In addition, Swarzewo ltd. is the water utility in the town of Puck, and its participation in the SPAG activities highlights the flexibility of the structure in accommodating a variety of actors within the administrative structure.

This planning process under SPAGs is a marked improvement over common practice. General shortcomings in *gmina* planning and coordination include the lack of a good development strategy. One investment director of a medium-sized city in western Poland indicated that the city had a list of some 40 ‘priorities,’ which, if budget surpluses occurred, would be addressed in sequential order. In that particular case, a sports stadium topped the list. SPAGs have taken into account the relationship *between* projects at a variety of levels.

Problems of budget management have compounded this general shortcoming in planning. The total amount of a budget is difficult to forecast, as suggested in the variability of *gmina* incomes in Table 2.3. In fact, *gmina* budgets are generally agreed upon by the city council sometime after the January deadline, and then changed several times mid-year in order to ‘balance’ the planned expenditure with the actual⁴. This practice of budget modification seems to be less and less common, as management skills have improved and high interest rates have subsided to make financing attractive.

**Environmental Project Selection**

The confinement of regional program planning to environmental issues showed good results in the success cases, with the environmental funds providing revenue to help bring plans

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⁴ The balance does not include assets or liabilities, only planned and actual amounts in various categories of spending. Planned expenditures invariably equals the actual expenditure in almost every instance.
to fruition. The central government’s role as a regulator of environmental concerns impacts investment decisions, and the success of SPAGs focused on environmental projects.

*Gminy* are not significantly penalized under current environmental regulations. While the overall collection rates for fines levied for non-compliance of environmental regulations is about 75%, *gmina* violators only pay 21% of the time (OECD, 1995). This provides inadequate pressure on *gminy* to prioritize needed environmental improvements, although it may be based on the principle of ‘those who can’t pay, don’t pay.’ A brief discussion of solid waste management regulation provides a good example of this problem, which has captured the public eye in Poland, resulting in increased popular vigilance and the recent development of a new political determination to take action.

All new landfills are required to have an expensive impermeable lining and a catchment system to collect and purify runoff. Despite the general acceptance of the importance of environmental protection in Poland, regularizing the country’s estimated 10,000 ‘wild landfills’ has not been met with sufficient resolve at the *gmina* or national level. Even when landfills exist, they often remain in operation several years after their official life span is exceeded, presenting greater risk of environmental degradation. In the fall of 1997, however, a new law on waste management was passed, which requires *gminy* to identify a safe and legal site for storage of their solid waste. The SPAGs in Wolin and Wladyslawowo have already identified a number of regional solutions to this problem, and should be ready to comply with the new law.

The lack of adequate enforcement of solid waste regulations compounds the problems of *gmina* dependence on outside funds. This has been the case in Brwinow, and without the ‘carrot’ of outside funds, the regulatory ‘stick’ has been too weak to get full local cooperation for the needed landfill there. *Gminy* have generally adopted a reactive approach to issues of
environmental problems. The investment plans devised in the success cases were proactive programs, which have enabled member *gminy* to conform more fully to regulations.

**Problems in Implementing Regional Plans**

The wastewater project was the only major truly shared project for both Wolin and Władysławowo SPAGs. Władysławowo and the *gmina* and town of Puck split costs according to their population for the wastewater transfer pipe to the Baltic Sea. A similar separation occurred on Wolin Island, where only the *gminy* of Wolin and Miedzyzdroje shared costs for the wastewater treatment plant there: Dziwnow did not participate in that project. All other projects, while well coordinated and part of a good plan, were also undertaken on a *gmina* by *gmina* basis, and were not consolidated under SPAG management.

This split between consolidated planning functions and divided execution can hinder SPAG operations. While SPAG personnel are involved in project selection and funding, actual project management falls to separate member *gmina* service enterprises. The limited SPAG personnel are called upon to troubleshoot project cost-overruns, and manage relationships with funding bodies, contractors and consultants throughout a SPAG project’s life. The SPAG role as the center of information related to program development, while having the significant advantage of presenting a unified local front and a focus for diverse outside parties, can create problems if those same multiple actors make claims after the fact. The Wolin SPAG, with only three employees (plus one part-timer), simply lacks the staff to handle anything beyond a planning role. It’s operations budget has remained constant through its existence. The Władysławowo SPAG, while having a comparatively large staff (55 employees), must perform the usual
functions of a municipal water management organization, and the amount of personnel and financial resources devoted to regional planning activities remains small.

The single instances of lateral resource mobilization (the Wladyslawowo sewerage pipe, Wolin Island’s water system and the Beskid landfill) suggest that the implementation of common infrastructure systems is limited to the largest investments, which clearly have economies of scale. Major water and wastewater investments and solid waste dumps seem to be candidates for regional consolidation of some form. This aspect is of particular importance for small gminy.

Conclusion

Segmenting revenues and expenditures in a regional plan of action within the SPAG framework has shown clear dividends in terms of compliance with regulations as well as organizing medium and long-term plans that are implementable. These plans are notable in that they have both technical validity and political support from local actors, which, along with the funding mechanisms they can tap into, make SPAG programs and projects realistic ventures that do not simply remain on paper. In addition, SPAGs are an institutional vehicle for coordination between gminy, which allows for regional solutions to local problems, again making plans better. Coordination is a key aspect of SPAG performance, discussed in the following chapter.

However, these successes are only possible insofar as the SPAG is given independence and a set of issues to address in common. The impacts of SPAG plans are only good in proportion to the independent authority they are able to exercise.
Chapter Four: Dispute Resolution & Horizontal Cooperation

The need for coordination is great in Poland: many gminy are too small to tackle their problems alone. SPAGs, as noted in the prior section on investment planning, can be good at developing and implementing regional solutions. SPAGs also have an important role as institutions of cross-border dispute resolution. Gminy interact with each other in a variety of ways, but most often undertake direct bilateral negotiations to attempt to solve a problem. SPAGs, when in place, replace this procedure with one of multilateral reciprocal oversight through an independent regional forum for arbitration. However, it is very rare for a SPAG to go the next step and actually consolidate a service across borders, in a jointly owned or operated utility, for instance.

The Dynamic of Dispute Resolution

SPAGs are not designed to resolve disputes between gminy, but they do. Because SPAGs are an institution, rather than a contract, they offer substantial benefits in terms of flexibility and representation of member gmina interests. Joint membership in a single institution ensures that the same relevant information is present for all parties when disputes emerge. The addition of technical personnel in SPAGs, important to the investment planning process (discussed in Chapter 3 above), bring a variety of perspectives and helps make information more comprehensive as well.

While the SPAG role as an information clearinghouse can help its membership agree on what constitutes a problem, if the SPAG institution is endowed with an independent authority, it can execute workable solutions. In the success cases these responses have taken the form of negotiated trade-offs between members in setting investment priorities. The impartiality of the
SPAG administration must not be in question: it must not be politically dependent on one mayor or another. A ‘captive’ administration can undermine a SPAG, as in the case of Kobylin in the Leszno Voivodship.

Many SPAGs, unfortunately, are not able to develop this independent sense. The fear that a large gmina will have an unfair advantage over small gminy is common, and SPAG administrations occasionally become the objects of political contests. The Brwinow SPAG, for instance, has its seat in its namesake gmina. Its largest member, however, is neighboring Pruszkow, which was given two additional seats on the SPAG council in recognition of its size. After the 1994 election, Pruszkow exercised its clout to demote the director, who had been from Brwinow, and replace her with a new director from Pruszkow. In so doing the SPAG was transformed from a regional representative body to a political prize for Pruszkow politicians. The former director continues to work for regional objectives, but is hampered by her new, lower status.

A common cross border dispute is discriminatory pricing for municipal services, which presents a significant problem not satisfactorily addressed by Polish law. The fragmentation of regional infrastructure assets has led to one of the major issues facing Polish local governments: gminy that have inherited these assets charge a substantial mark-up to their neighbors to whom they provide services. This is particularly true of landfill tipping fees, where use of the service is easy to control. Pricing decisions generally happen in a setting of bilateral negotiation, in which the gmina controlling the service has a clear advantage. Sometimes service prices are applied unilaterally, to the extent a controlling gmina’s decision-makers believe they will not suffer repercussions. Prices must by law reflect costs, but these can be defined by the service provider.

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5 In this case the gmina of Piaski opted out after a particular administrator was fired. The administrator was married
The regional cooperative structures documented here have gone some way in resolving these problems. Jastarnia, for instance, made equal pricing a condition of ceding operations of its water facilities. In Zywiec, while not a SPAG, the regional corporate structure of the Beskid landfill incorporates other gmina users, albeit to a very limited extend (see Chapter 5 below). Majority owner Zywiec still pays lower tipping fees than its neighboring co-owners.

**Keys to Cooperation: Unbiased SPAG Administrations and a Balance of Power**

What is common to the successes is that they incorporated an active search for close and durable links to institutions beyond the confines of the SPAG’s gmina membership. Wladyslawowo’s partnership with the Gdansk Voivodship helped build trust among its members, and lent the regional effort a strong sense of independence from the perspective of constituent gminy. Although the SPAG administration had an immediate history as the former Wladyslawowo water enterprise, the Puck gmina and town members were willing to pursue the new administration’s regional aims.

Wolin Island managed to develop a level of impartiality through strong connections to local academic circles and environmental experts employed in Wolin Island National Park. Although the Wolin SPAG has strong ties to the Miedzyzdroje gmina, (where the seat of the SPAG is located), it has been remarkably successful in establishing a reputation as an independent regional administration. The director, Urszula Jakuczun, is open in her outlook and passionate about the needs of the island as a region. One of her main roles has been to educate new SPAG representatives as to the economic benefits of cooperation and consolidation, a process she says takes about six months. The plans developed at her direction have been widely

to the mayor of Piaski.
backed in the open forum of the conference discussed in Chapter 2, and there has been a constant
dialog with environmental engineers and staff at the National Park and within the Szczecin
Voivodship. The support of these groups and individuals has lent a strong sense of
professionalism to the SPAG organization, and given credence to Ms. Jakuczun’s own dedication
to the common cause of Wolin Island.

The perception of independence helped overcoming the common suspicion among gminy
that treaties with neighbors will prove to be unfair. Many other SPAGs are not able to get past
this problem: larger cities often form a hub of sorts, and it often happens that smaller gminy vote
in a bloc against a larger member irrationally (Asiewicz, 1997). Overcoming this reluctance to
cooperate by strengthening the association’s independent legitimacy is one of the important
reasons the cases examined here functioned well. A balance between members existed in both
successes, and this seems to have played an important role in engendering trust and working
relationships. While such a balance cannot be duplicated in all cases, the fact still deserves
consideration.

Independent legitimacy for the SPAG improves confidence that the association will work
for a gmina member, instead of for someone else. A history and a good reputation appear to have
a significant positive impact on this count. The successes in Wolin and Wladyslawowo,
extending over several years, suggest that, once a cooperative framework is well established, it
develops a life of its own. SPAGs that fail to meet expectations early on seem less able to garner
support for regional action later, though they might survive on paper. Thus regional cooperation
seems to have distinct positive and negative feedbacks. Independent legitimacy can come in
various ways, and though Wladyslawowo depended significantly on the actions of the Gdansk
Voivodship, on Wolin Island a variety of outside actors played a role. Opportunities for establishing an institution’s independence will likely vary from case to case.

**Consolidation of Services across Gmina Borders**

Coordination benefits might only be considered incidental, were it not for the high level of jurisdictional fragmentation in Poland. Actual consolidation of a service across gmina borders would in many cases provide more substantial economic improvements for a region. Wladyslawowo achieved this to a small extent when its water service enterprise was renamed a SPAG and began to provide service on Jastarnia’s territory. This small step served as a platform for regional cooperation in further investments in the water sector, but did not lead to greater integration of operations. The consolidation that occurred in the case of the Beskid ltd. landfill, co-owned by 15 gminy including Zywiec, suggests that a corporate structure may be a more appropriate vehicle for implementing consolidation. Governance might reasonably be carried out through a SPAG structure as owner of a firm, though this is not the case in Zywiec. The corporate structure alone has some accountability shortcomings, though, substantially avoiding public scrutiny (see Chapter 5).

One substantial hindrance to consolidation is the fact that most local assets have only briefly been local, and there has been a reluctance to force further changes. State assets were only transferred to gmina in 1991, and this transfer process was characterized by protracted and difficult negotiations with voivodships and other gminy. Although this resulted in fragmented service provision enterprises in many cases, gminy are unlikely to give up their assets to another outside body so quickly. The transfer of Jastarnia’s assets to the Wladyslawowo SPAG was
accomplished as a part of this initial asset redistribution process, and seems to have been an exceptional case.

**Landfill Construction: a Prime Candidate for a Cooperative Approach**

The issue of landfill construction was taken up in the last chapter as an example of SPAG effectiveness in proactively addressing a service-planning problem. It is also relevant to the discussion of coordination. Landfills are big and are prime candidates for regional collaboration due to potential gains in economies of scale. Table 4.1 shows investment in landfills from 1990-1994 among types of *gmina*. These increases come in a time of growth in the amount of waste and a change in the type of waste (to more plastics and packaging materials), driven by a shift from a shortage to a consumer economy.

<table>
<thead>
<tr>
<th>Gmina Category</th>
<th>Area in Hectares</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>6/30/90</td>
<td>5/31/94</td>
</tr>
<tr>
<td></td>
<td>851</td>
<td>931</td>
</tr>
<tr>
<td>Rural-urban</td>
<td>646</td>
<td>793</td>
</tr>
<tr>
<td>Urban</td>
<td>998</td>
<td>1080</td>
</tr>
</tbody>
</table>

Source: Gilowska & Misiag (1994)

This table suggests a direct impact of a border on landfill investment. Rural-urban *gmina* are those which have some sort of central town as well as a significant surrounding undeveloped territory: it is these *gmina* which have both the finances to construct and the land to site a safe landfill. Wholly rural areas lack funds, while urban *gmina* have significant problems siting landfills. Cooperation between *gmina* is recognized as a necessary step in securing a new site for
a landfill. A level of coordination will also yield gains of centralizing solid waste management to a certain degree\textsuperscript{6} by sharing costs across space.

However, most residents have been extremely resistant new landfill sites, and coordination is hampered by reluctance to take on garbage from another jurisdiction. One example is the difficulty gminy in Bielsko-Biała had in finding alternatives to the Zywiec site: three different locations were considered before each was found unworkable in turn and eight gminy agreed to join the Beskid Ltd. landfill company, and contribute jointly towards construction costs. In the Koszalin Voivodship, six different gminy have each undertaken to build new landfills in compliance with the new regulations. The massive investment costs associated with these new landfills would be much better allocated towards other pressing needs, but gminy there cannot agree on a single site or means to manage it. SPAG structures, while not offering a guarantee of successful siting for a landfill, offer an administrative structure that can address inter-gmina disputes in a regular fashion, bring all the relevant parties to the table, and consider solutions that take the scale economies of sharing into account. In such a fashion gminy on Wolin Island are weighing costs and benefits of various options for developing one of three landfill sites in the region. Similar discussions are taking place among members of the Władysławowo SPAG.

\textit{Conclusion}

SPAGs help members improve cross-border infrastructure development, notably in the cases of linked wastewater services and landfill planning. They should not be expected to resolve all problems, though they are a great improvement over direct bilateral relations. Gminy operate

\textsuperscript{6} Beede and Bloom have noted (1995) that, in the U.S. declining costs and economies of scale could be gained in solid waste management up to a coverage of about 50,000 people. Polish environmental professionals have similarly estimated that cities with populations of less than 40-60,000 cannot, in 1997, afford their own collection service or
in an environment in which their interactions might be accurately modeled by game theory: disputes are compounded by distrust and fear. SPAGs provide an institution, which makes a fundamental shift away from adversarial interactions, by having open and repeated discussions in which \textit{gminy} share information. Coordination has not led into outright consolidation in either SPAG case: those instances in which a service was unified across \textit{gminy} up front, between Wladyslawowo and Jastarnia, and in Zywiec, may be difficult to replicate. However, there is a common view that SPAGs and cross-border firms are mutually exclusive institutions. I would suggest that each institution is better suited for a different set of tasks. In particular, SPAG oversight of service enterprise capital budgeting provides the potential for improved accountability. The openness that characterizes linkages with outside institutions, which forms the foundation of independence crucial for effective coordination, relies on a free flow of information. This process inherently helps make local decision-making more transparent.

\begin{flushleft}
landfill. Since solid-waste management is a labor-intensive service, these values might be higher for higher cost alternatives.
\end{flushleft}
Chapter Five: Accountability & Transparency

Democratic traditions have taken root, but are still young in Poland. Public administrators lack in particular an appreciation for conflicts of interest and, for instance, many small *gminy* provide funding for a local newspaper. Public service enterprises are often headed by individuals chosen on the basis of their political pedigree rather than technical qualifications, and *gmina* resources have sometimes been directed not for the most economic or efficient use, but to reward partisan supporters and enrich friends. Establishing greater accountability for specific tasks makes such decisions less likely, and new regional institutions modify the system of accountability significantly.

Accountability of public administrations in democratic market systems is a complex interaction of many groups: taxpayers and businesses exert pressure, the electorate votes, and other levels of government make demands on the basis of their own mandate (Bennett, 1990). Local governments should be answerable to these groups in general and for specific actions. This is best accomplished if decisions are made in a transparent manner, so various outside actors can better evaluate their performance. Formal institutional accountability cannot substitute for an active role by those affected by decisions. SPAGs are an important addition to systems of accountability in Polish local authorities: members are accountable to each other for their specific regional purpose, and they are sure to take the active part necessary to make accountability function. While they are only indirectly connected to the electorate, the balance between a variety of actors has, in the successful cases, led to overall more transparent decision-making within the regional institution. The successful SPAGs marketed their mission and information: to *voivodships*, to sometimes-reluctant mayors, to academics and also to local constituencies.
Although tasks undertaken by SPAGs are one step further removed from the electorate than direct *gmina* implementation, many of the most significant SPAG decisions are ratified in each *gmina*’s council before being implemented. In addition, the technical nature of many aspects of infrastructure finance does not lend itself to careful oversight by voters, though it is important to actively inform citizens. Institutionally, SPAG administrations balance a group of mayors in a system of mutual supervision, under which scarce resources are allocated by common agreement, and decisions are certified by an outside funding source. Member *gminy* are collectively accountable to each other to carry out a regional development strategy in concert, and further accountable to organizations that provide funding, to ensure that projects are viable. I refer to this system of balance at a local level with an outside arbiter as one of multilateral reciprocal scrutiny.

**Multilateral Reciprocal Scrutiny**

The systems of multilateral reciprocal scrutiny, which developed in Wolin and Wlasdyslawowo, have two main features. First, a mechanism for making tradeoffs between multiple actors developed, and second, some resources were held by an outside mediator. Such a system represents an important modification in common grantmaking processes, which often pits higher- against lower-level priorities in a somewhat inflexible way. It also has some precedent: Thomas Schelling has used the same terminology to describe the system devised to allocate $4 billion in Marshall Plan aid to European countries after World War II, with the U.S. acting as final arbiter. Multilateral reciprocal scrutiny, within a governmental system as present in the case of SPAGs, has the potential for higher levels of government to secure some of the flexibility of discretionary decision-making (to adjust for variations in local capacity, for instance) through a relatively transparent process.
In the case of a SPAG supplied with outside funding, as happened in both Wolin and Wladyslawowo, each member *gmina* has a say in the choice of projects, determines regional priorities and must often make concessions in order to accomplish a larger, common goal. Projects that ‘fit’ together in a regional context are rarely the same as those that a *gmina* would stress for its own development. SPAG decisions are taken with the understanding that outside funding is limited and is predicated on good performance. Members of a SPAG feel they must make a decision that takes their neighbors into consideration, in order to better match outside funding preferences. The SPAG administration provides a forum in which to do so, and also a durable institution, which builds continuity into the process: SPAG negotiations recur over time.

Developing a SPAG regional investment plan is not only a technical process, but a political one as well. It relies on tradeoffs between participants and requires compromise and patience. After the wastewater treatment plant for Miedzyzdroje and Wolin was begun in 1991, a water network project for Dziwnow, the third member of the Wolin Island SPAG, got priority. This had a great deal to do with a need to provide benefit for all SPAG members, as well as its importance in the general plan for the island. The SPAG structure enabled all members to develop a master plan jointly, and then work to develop towards those goals. While Dziwnow had to wait to have its priorities get funding, the SPAG structure gave the Dziwnow authorities confidence that the wait would pay off. Wolin and Miedzyzdroje supported the project despite the fact that it had not immediate benefit for their own constituents. They could have competed with Dziwnow for those outside funds, but saw greater future benefits by sharing.

The existence of funding institutions outside the local political environment, acting as arbiters in the allocation of local resources, is the second essential aspect of multilateral reciprocal scrutiny. This element of dependence on outside elements without a strong vested
interest gives gminy a strong imperative to cooperate. The voivodship, of all the varied funding institutions, generally takes the lead role in balancing regional decision-making and project prioritization among gminy. Voivodship departments are generally more familiar with the region than national or international actors, and have the capacity to review, support and otherwise develop local plans as part of a region. Voivodships also have the capacity to supplement funds if there are shortfalls or projects are not able to attract sufficient outside funds. Table 3.2 on page 37 (Wladyslawowo Revenues and Expenditures, 1997) shows that the Gdansk Voivodship’s contribution to the SPAG was spread more thinly over a larger number of projects. It never provided the majority to any one project, and concentrated on more purely local projects, such as new water piping in part of Wladyslawowo and modernizing the pumping station for Swarzewo ltd., the local water enterprise. Its resources were distributed in order to make the whole program work: in doing so the Gdansk Voivodship played as much a part in leveraging national resources (from Eko-Fundusz, mainly) as the gminy themselves.

SPAG members cannot expect to succeed without the mutual consent and cooperation of their neighbors, and a balance between local actors of equal influence seems to help develop this process, as it helps build a cooperative approach (see Chapter 3). The members of the successful SPAG were all roughly equal in population, and representation on the two SPAG councils was equal for each member. Figure 5.1 shows the administrative structure for SPAGs in Wladyslawowo and Wolin, compared with the system in Zywiec.

Both Wladyslawowo and Wolin have the characteristics of a forum, with equal representation from each member. This balance helped the gminy in the Wolin association to agree on compromises, and aim to divide leveraged resources to mutual benefit. The presence of three members prevents deadlock, enabling a dynamic system of tradeoffs to occur.
Figure 5.1: Structure of Regional Administrations

**Beskid ltd. (in Zwyiec)**
(15 member gminy)

- Slemien, Lekawica, Gilowice, Swinna
- Zywiec (51% owner)
- Ujsoły, Rajcza, Milowka, Wegierska Gorska

**SPAG**
(2 permanent member gminy)

- Mayor (permanent seat)
- Mayor, councilors, technical personnel

**Wladyslawowo SPAG**
(2 permanent member gminy)

- Wladyslawowo
- Jastarnia

**Wolin Island SPAG**
(3 member gminy)

- Wolin
- Miedzydroje
- Dziwnow

**Board of Directors**
(5 members, Zywiec has controlling vote)

**Joint-Stock Company**
(18 employees)

**SPAG General Assembly**
(2/3 majority to pass measure)

**SPAG Administration**
(55 employees)

**SPAG Administration**
(3.5 employees)
The Impact of Transparency on SPAG Administrations

Transparency is essential to the oversight by the variety of actors concerned with a SPAG's operations. It also has an important role in the dispute resolution process and the investment planning process, discussed in Chapters 3 and 4 above. The essential element of this transparency is the open, active sharing of information, and this occurred in the success cases with impacts for both investment planning and dispute resolution, discussed above. Transparency has also had a beneficial effect on the internal accountability of staff in three areas. First, financial accounts are widely available and enhance the ability of outside groups to scrutinize the SPAG's activity. Second, the focus on capital investments greatly improves clarity of expenditure responsibility. Operations are the realm of service enterprises within member gminy. Third, management goals are clearly linked to a specific declared policy goal, embodied in the special purpose.

However, this type of horizontal oversight is represents an often unwelcome limitation of the power of individual gmina decision-makers, especially mayors. Mayors are unwilling to compromise on control and development of municipal enterprises, which make up an important local power base. This lack of compromise is dramatically seen in the case of Beskid, ltd., where final absolute authority rests with the mayor of Zywiec. The mayors' prerogative to have dominant authority over municipal enterprises is a significant impediment to cooperation with outside groups. A SPAG's ability to develop an independent legitimacy and disseminate information broadly undermines the mayor's prerogative.
The Importance of Checks on Mayoral Power

In practice, mayors have a great deal of power within a gmina. The most important aspect of this power, for this discussion, is their ability to appoint the directors of the municipal service enterprises. These positions are important positions for allies and friends, as they are prestigious and well paid. Corruption, where it exists, is most rewarding for municipal politicians and bureaucrats handling contracts for these enterprises. Municipal service enterprises can also be important revenue generators for a city, and form the center of many cross-border disputes resulting from discriminatory pricing. Bringing in outside oversight to the activities of these municipal enterprises is important to allay these drawbacks, and it can be accomplished through SPAGs with the support of an engaged voivodship. In both successful SPAGs mayors were not able to exercise sole discretion over investment plans: they become accountable to each other. In addition, no one mayor was able to dominate the SPAG’s investment planning activities. Wolin and Wladyslawowo experienced a great deal of political turnover, with the exception of the gmina of Jastarnia, discussed below and further in Appendix I. This may have helped the SPAGs retain their institutional independence.

In Wladyslawowo, there are only two gminy in the actual SPAG administration, although the regional plan undertaken with the voivodship’s support covered the territory of two others. The relationship between the two founders, Wladyslawowo and Jastarnia, is based on a single, one-time tradeoff, essentially determined by the Jastarnia mayor’s preferences. This had not allowed for the full development of a dynamic system of multilateral reciprocal oversight, until the Gdansk Voivodship proposed more extensive regional cooperation. The deal that linked the two was initiated by the mayor of Jastarnia, who voluntarily gave up water provision services to
the Wladyslawowo water authority in return for a promise that prices would be equal across the two gminy. The mayor of Jastarnia is popular and known as a believer in free-markets. He has rapidly divested the town of most of the land it inherited as a legacy from the previous regime of state ownership, and giving up water service was seen as streamlining and improving government rather than depriving the gmina of a potential revenue source.

The arrangement in Zywiec shows the predominance of mayors clearly, in the retention of complete decision-making authority in the hands of a single person. The 51% ownership rights and the narrow structure of the board of directors ensure that the mayor of Zywiec has not had to be accountable in any serious form to his neighbors, except to make the project attractive enough for them to participate. The regional cooperation in this case resulted from an inability of the region’s gminy to find other acceptable landfill sites. By providing the land in-kind, the mayor was able to have his neighbors pay for the expensive lining to ensure the new landfill met regulatory standards. The importance of the site in landfill development enabled this unique arrangement, and it should be noted that the gminy that co-own the Beskid Ltd. landfill are pleased with the arrangement.

Pitfalls in SPAG Accountability Mechanisms – Too Independent and Too Slow?

I have highlighted here some positive aspects of accountability in the best cases of SPAGs, but there are potential problems, which should be avoided. One such problem has been noted by Asiewicz, who contends that the director of a SPAG administration is often able to play mayor representatives off each other, control the SPAG and engage in expanding their own enterprise (1997). While this may be the case on some occasions, gmina members of a SPAG can

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7 While many I interviewed complained of corruption in general, direct evidence was rare.
withdraw at any time, with little consequence. Even in the successful case of Wolin, the director lamented the fragility of the institution, which “could fall apart at any moment” (interview, 8/7/97), although this fragility seems to be more perception than reality. The director in Brwinow noted that the SPAG’s greatest success was “that it continues to function,” after four years with little in the way of cooperative regional action (interview, 8/13/97 and survey documents from Gorzelak, 1995). Further, the incorporation of adequate technical representation alongside political representation of mayors may mitigate the potential for this problem. My own position is that it is the mayors who more often require a balance. An independent SPAG can be an important counterweight to mayoral power, and provide a balance that is not commonly imposed and probably needed. Asiewicz’s claim should be heeded, though, and mayors need to be conscious of overly independent administrators.

The ratification of SPAG decisions by member gmina councils, and the resulting accountability to both regional and local concerns, comes at a significant cost in terms of delayed decision-making. Coming to an agreement can be difficult simply within the confines of a SPAG administration, much less by involving hundreds of local politicians in different gminy. Here again the small size seems to have been an advantage in the success cases, and it may be assumed that the larger the SPAG, the progressively more superficial cooperation becomes. For the largest SPAGs, difficult decisions may simply never be taken, barring an unusually high level of cooperation. The average SPAG is made of nine gminy, and a council made up of 18 or 27 members could easily become unwieldy. The decision in Zywiec to go with a small board with ‘sub-regional’ representation is a nod to this problem. Zywiec failed, though, to institute the combined technical representation, which works best in being able to resolve regional disputes and develop workable plans on a regional basis. Small size has an important additional effect. A
SPAG made up of three, four or even five gminy can be reasonably expected to create a working council having more than one representative from each gmina. In this way a mayor can have his gmina’s director of municipal services, as well as other technical personnel, accompany him.

**Conclusion**

The added level of oversight created by SPAGs, while it may slow decision making, offers needed accountability in an area (capital investment in infrastructure) which is prone to politicized decision making. This seems most effective under the Wolin Island SPAG model, with a small number of equal-sized gminy, having council representation that includes technical personnel. Popular elections are only one tool of many that make decision-makers accountable, and the technical nature of the projects under SPAG purview suggests that closer accountability to an electorate is unlikely to bring substantial benefits. Participatory decision making through public hearings for instance, also play important roles. Democracy at the local level, in particular, and respect of local institutions, has developed more slowly. This ‘professional’ accountability, to other mayors, municipal service directors on a SPAG council, and personnel of voivodships, is an important contribution of Special Purpose Associations.
Chapter 6: Policy Recommendations & Conclusions

Special Purpose Associations of Gminy can be very effective institutions when they are endowed with independence anchored by talented administrators and outside budgetary support. Under such conditions they can improve long-term investment planning across a series of environmental sectors, greatly improve coordination between gminy and offer a forum for resolving disputes, and provide for improved accountability for infrastructure investments through multiple reciprocal scrutiny among members. SPAG structures do not appear to be generally effective at actually consolidating the operations of a service, but they can contribute towards the generation of political will for progressively deeper regional cooperation.

The two successful cases examined here stood out from most SPAGs in that they have a planning process in place to manage a significant budget for regional investments. The actions that Wolin and Wladyslawowo have taken are suggestive of important ways in which regional cooperation might be developed. The conclusions presented here cover three areas:

- key contributing factors to successful SPAGs;
- the role of active voivodships; and
- intergovernmental linkages in decentralization.

These conclusions aim to inform Polish policy makers at the local, regional and national level as legal experiments such as SPAGs are better codified and established in Polish administrative law and practice. They also shed some light on performance in decentralized systems in general.

Key Aspects of Effective SPAGs

Three factors that have made these SPAGs better than others include the following: they have a small number of member gminy; they developed an independent and accountable SPAG administration by sharing information freely and widely; and they have a broadly worded ‘special
purpose’ that allows for tradeoffs between members. Establishing such conditions can help sustain the political will that allows a SPAG to survive and take on further tasks and implement their investment programs.

Some of the elements that have contributed to the successes in Wolin Island and Władysławowo are rare. Both are sensitive shoreline environments attractive to outside funding institutions, and both areas depend significantly on regional tourism for development, which has helped build political will for cooperation. While these elements may not be easily duplicated in other gminy, they are not sufficient for success. The other characteristics common to both cases can be applicable to gminy facing diverse situations in distinct regional environments.

**Advantages of Smaller Associations**

SPAGs with fewer members should naturally find it easier to agree and resolve conflicts, but small associations should be better able to capture the benefits of accountability and long-term investment planning as well. Small associations allow member gminy to delegate more than one representative to the SPAG council, opening the possibility of pairing political representation (most probably a mayor) with capable technical personnel (a director of a gmina municipal service organization). This can improve decision-making, and help ensure that relevant actors have access to the same information. This freedom of access is important, and underscores the need for an impartial SPAG administration. Independence should not be perceived as limiting gmina ownership and participation in a SPAG, however. A proactive voivodship approach may help achieve a balance between mutual gmina ownership and member gmina respect for a SPAG’s independence.
In addition to helping achieve consensus and improving decision-making, smaller SPAGs are better able to allocate some level of project support to all members relatively quickly, building up legitimacy. Outside funding will be limited, and each member will want to see some level of funding. Voivodships may be able to help ‘spread’ project money more evenly by funding a smaller proportion of project costs, while still making money contingent on regional cooperation. Gminy will be hard-put to justify continued buy-in to an organization that has not offered tangible benefits.

Developing an Independent Administration

An independent SPAG administration helps to establish a durable institution and realize the benefits of better and more accountable SPAG investment planning. A SPAG can often become captive by one member or another, or become a prize in a conflict between members, severely undermining its effectiveness. Independence can come in several ways, but seems to be a process that takes some time to evolve. Wolin Island began with a clear commitment to regional action based in a strong group of academics and skilled national and regional level bureaucrats. Wladyslawowo developed more slowly through interaction with the Gdansk Voivodship. Information sharing was a hallmark of both SPAGs, and it was essential to establishing these linkages. In both cases the process of building a SPAG has been an incremental one, in which various outside actors play an important role. This evidence supports Bennett’s findings regarding partnerships between local authorities:

"The level of effectiveness of partnerships often depends on the development of effective working relationships in which the first stage is the development of expertise and experience: often in the form of limited and early networks for specific projects. This can be referred to as a stage of developing 'trust.' A second stage leads to an ongoing effective commitment by a broad range of agents spanning the economy. This may require the role of an external force such as a
development agency to catalyse, organize, resource and provide technical personnel...This allows a progressive and self-reinforcing administration and partnership to develop." (1997, p.328)

Successful SPAGs in Poland appear to have reached the second stage, while the majority are still building trust.

In developing durable SPAG administrations, it may be useful to stagger terms of office, such that representation is less dependent on a single person. For instance, a non-political gmina representative might hold a term of office that straddles the local electoral cycle. Wladyslawowo has recognized this to some degree by establishing 3-year terms for its member representatives. However, while political continuity seems to have had a significant role in the Wladyslawowo/Jastarnia union, a series of re-elections in Brwinow did not lend greater power to that SPAG, and Wolin Island’s successes were not mitigated by the significant turnover in its representatives. Asiewicz has noted (1997) that placing a SPAG administration under the mutual control of a number of mayors in fact leads to a lack of control, and an overly independent administration. This was not observed in the cases presented here, though, and in fact SPAGs can improve oversight over mayors themselves. Developing better continuity of representation may help maintain oversight of the SPAG director, while still enabling them to take the important role as arbiter between gminy.

The successful cases also benefited from good staff members. These people were generally driven by a idealistic commitment to the goal of development on a regional basis, on the recognition of potential economic benefits of consolidation and coordination. Such commitment cannot be taken for granted, and improving salaries of SPAG staff ought to be considered if successes are to be duplicated. The general inadequacy of gmina commitments to their own SPAGs suggests that some project funding might be sensibly set aside for
administrative expenses. Matched funding from voivodships might also enable SPAG staff to spend less time ensuring their own survival and more time coordinating contract implementation, for instance.

**Choosing a Broad Scope of Purpose**

Many SPAGs focus on building a single piece of infrastructure, become frustrated and do not commit the necessary resources themselves when outside funding fails to materialize. While this attitude is partly due to the system of project finance, which may actually discourage local revenue generation, it has the effect of undermining a potentially effective institution. A broad scope of purpose need not be limited to environmental projects, though funds are most widely available in this area. Other types of SPAGs might be effective with a clustered sector approach, such as found in regulatory agencies in the United States and Hungary, with groupings around transport, communications, or energy, for example (Smith & Shin, 1995).

The benefit of such an approach facilitates revenue sharing across several members to enable the dynamic trade-offs that are crucial to developing effective cooperation. It also can allow a SPAG to retain valuable planning and cooperative functions over a longer term. The fact remains, though, that cooperation cannot be expected without significant revenue commitments from outside sources, the most available currently being Voivodship Environmental Funds. This dependence on outside resources should not be thought unusual, though, or necessarily bad. Janet Weiss has highlighted the importance of identifying and securing funding sources in her model of cooperation in public agencies (1987). A strong case can be made for modifying the voivodship's role, particularly in light of its ability to significantly advance regional cooperation.
The Importance of an Active Voivodship

SPAGs are voluntary associations, built from ‘below’, and derive much of their strength from that fact. Nevertheless, their general success has been limited primarily by difficulties in securing adequate financial commitments from members. The role of the voivodship should be somewhat flexible, depending on the needs, desires and capacity of the association and its members. There are four main areas where a voivodship can play a critical role in fostering regional cooperation. These are:

- helping build political will between gminy, with seed funding;
- adding technical expertise for planning; and
- arbitrating in disputes; and
- making funding available on a matching basis with transparent criteria.

Seed Funding for Regional Cooperation

While they are best created from below, a more regularized policy environment is needed to give SPAGs better support. Making a small amount of funding available to SPAGs may help overcome local reluctance to give authority to a regional body. It may also improve the quality of local staff assigned to a project by improving the salaries of professionals, although SPAG officials should most likely not be voivodship employees, to avoid compromising the local character of activities. Making such funding available at the onset of SPAG formation will also allow a voivodship to communicate some basic recommendations in terms of structuring the new administration effectively, both in terms of experiences of other SPAGs as well as voivodship development priorities. The current procedure of registering a SPAG with the Council of Ministers in Warsaw might be modified so as to include the respective voivodship, which would improve record keeping of SPAG activities. An ombudsman designated to hold records might also be an initial point of contact, as a first step.
Technical Capacity for SPAGs

The role of the voivodship in the Wladyslawowo case is illustrates the benefits of involving voivodship personnel in the activities of smaller gminy. There the proactive involvement of a member of the environmental protection department was able to encourage local politicians to expand the existing scope of collaboration, and help develop a regional plan. This was a key point in the development of that association, and such interventions may be useful in helping other SPAGs expand their activities as well. In Wolin’s case, the technical capacity to develop a good environmental development plan came from within the SPAG as well as concerned professionals from a number of academic and administrative bodies in the Szczecin Voivodship. Identifying private sector consultants and professionals within higher levels of government will be helpful in assisting a SPAG’s ongoing operations.

Supporting Independence and Arbitrating in Disputes

Currently, voivodships are a natural administrative home for a staff that is aware of and involved in regional cooperative activities. Other bodies might also serve that purpose, notably the proposed powiaty, or regional self-governments, or perhaps the voivodship assemblies. Under current law voivodships have little means of participating in gmina activities, but one important role they ought to serve is an administrative body for arbitrating disputes. While the successful SPAGs shown here were able to manage inter-member disputes, having an outside authority to bolster the independence of a SPAG will be helpful, particularly given that not all will be able to command the resources that the successes enjoyed. An effective administrative dispute-resolution process is particularly important due to the limited reliance on judicial proceedings for such resolution.
Clarifying Funding Criteria

Most SPAGs, whatever their stated purpose, spend a significant amount of time and energy pursuing resources from voivodships, as do individual gminy. The process remains highly politicized, and establishing clearer criteria in disbursing voivodship funds is an important step in general in Poland but can be especially helpful for SPAGs seeking ways to start the virtuous circle of operations that an independent funding source allows. One option would be to designate separate funds, and guarantee a minimum budget, for transport and energy projects\(^8\). SPAGs might then be logically organized around one of these three groups, and voivodships would then have to indicate some priorities up front. At present voivodships have no budget independent of the central government’s. Plus, listing a basic set of preferences, along with some numerical project selection criteria (in favor of poorer gminy, for instance, or projects impacting a large number of people) can help gminy plan for outside support instead of hoping for it.

A second recommendation with regard to funding concerns the relatively high dependence of gminy on outside funds for project completion. While gminy are generally poor, their contributions to what are local projects are not sufficient to ensure adequate local control and influence. As familiarity with private capital markets grows, local capacity to take on a greater share should improve. In fact SPAGs may prove to be an effective means for smaller gminy to access capital, though this has not been attempted yet. Outside sources taken together should probably be responsible for no more than half of total costs. Establishing such a limit would help mitigate the tax-effort substitution problem that may be occurring. It would also go a long way to spreading funding more evenly across a territory, rather than devoting such

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\(^8\) This would require that the environmental funds shift away from investments in municipal gas networks (in favor of water projects and industry pollution reduction, perhaps).
substantial resources on a favored few. This might in turn improve the general success rate of SPAGs, by enabling more to establish a level of independence.

A Lesson for Decentralization

The development of effective decentralized systems is an important step in the continued improvement in governance in transition economies such as Poland. The quality of governance can have profound effects on the welfare of a society, as Shleifer has pointed out comparing Poland favorably against Russia’s shortcomings (1997). Shleifer also notes a key shortcoming in Russia’s system is a haphazardly designed system of fiscal federalism. The experiences of special purpose associations in Poland sheds light on the effectiveness of regional cooperation in advancing improvements in intergovernmental relationships. Good linkages between administrative tiers ought to improve accountability, planning capacity and financing capacity at the local level. The precise balance between a province-level authority and a local authority will probably vary from region to region, if not project to project, but a balance is necessary. A SPAG-type structure can achieve this balance if properly supported.

As noted earlier, the successes described here are somewhat exceptional: SPAGs as a whole encounter significant problems, and require regular outside support to perform well. Richard Bird has noted that there are two obvious ways to deal with interlocality externalities. One is through ‘clubs’ of municipalities, such as a SPAG, and the second is by using matching grants (1995). While I have only suggested some outlines of how a properly managed grant system might be implemented in Poland, a clear conclusion from the case evidence is that ‘clubs’ and grants can be mutually reinforcing mechanisms. ‘Proper’ design of an intergovernmental grant system might explicitly legislate for a SPAG like structure, and link funds according to
special purposes. This linking could be organized around a clustered-sector approach, in imitation of the highly successful Polish environmental funds.

**Concluding Remark**

The brief history of SPAGs shown here highlights successes. These successes were made possible by a flexible aspect of the 1990 Law on Local Government, and it is valuable to understand experiments that the law has allowed at the local level. Examining such experimentation can identify what works and what does not. Polish decentralization will continue: *voivodships* may be completely reorganized soon, and a second tier of local government may be developed. Polish administrators, policy makers and politicians have all been ascending a steep learning curve, absorbing valuable knowledge and developing good skills to manage their localities. SPAGs are one way to improve management, and the time has come to strengthen the laws governing their operation. This paper has, it is hoped, shed some light on the reasons for success in SPAGs, and can point the way to establish them as a permanent part of the Polish institutional framework, and suggest how they might be emulated elsewhere.
Appendix I. Narratives from Cases of Regional Cooperation

1. Wolin Island: The Round Table

<table>
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<tbody>
<tr>
<td>Membership:</td>
<td>Dziwnow, Miedzyzdroje and Wolin.</td>
</tr>
<tr>
<td>Area population:</td>
<td>30,000.</td>
</tr>
<tr>
<td>Special Purpose:</td>
<td>&quot;environmental protection, particularly the expansion of water and sewerage networks.&quot;</td>
</tr>
<tr>
<td>Major success:</td>
<td>leveraging outside funding, and coordinated construction of wastewater and gas infrastructure.</td>
</tr>
<tr>
<td>Major shortcoming:</td>
<td>operations still handled by individual gminy.</td>
</tr>
</tbody>
</table>

Wolin Island lies on Poland’s Baltic coast, near the border with Germany. Four gminy are situated on the island: Dziwnow, Miedzyzdroje, Swinoujscie and Wolin (see Map 1). Three decided to form a SPAG to address environmental concerns together. Swinoujscie, somewhat larger than the others, opted out. The remaining gminy are roughly equal in population, and have equal representation on the SPAG administration. The resulting balance of power enables an equitable give and take in project selection and resource allocation.

Environmental awareness on the island of Wolin has a considerable history. The Helsinki Convention on Protection of the Baltic Sea (1974), the Baltic Declaration put forth in Ronneba (1990) and renewed two years later in Helsinki, and the 1993 announcement of the Oder National Landscape have all have noted the importance, and regional impact, of a clean environment in Wolin. The majority of the territory of the Miedzyzdroje gmina is taken up by the Wolin National Park, a reserve for European Bison.
Map 1: Wolin Island SPAG and Environs

Baltic Sea

Swinoujście
Międzyzdroje
Dziwnów
Kamien Pom.
Wolin

Szczecin Bay

Germany

to Szczecin

Oder River

Szczecin Voivodship
In addition, Wolin has been the focus of a particularly large amount of foreign direct investment, most obviously a number of hotel developments on the Miedzyzdroje Baltic Sea boardwalk. The impact of tourism on the region must be strongly stated, particularly its importance in the local economy. Tourism has the paradoxical effect of providing an incentive to maintain high environmental quality, while simultaneously generating adverse environmental consequences. The highly seasonal nature of this tourism both undermines its positive effects on the economy and exacerbates its adverse consequences. Solid waste generated by tourists, particularly on sensitive beaches and in wooded camping areas, is especially difficult to manage at peak times given the limited resources of the small existing shoreline communities.

A cooperative approach to environmental protection was first envisioned by a group of employees at the national park, along with members of the Miedzyzdroje local administration. Their loose organization sought to find a better way to manage environmental problems on the island, many of which were acute. The Wolin gmina, for instance, is riddled with uncontrolled illegal landfills that have caused significant damage to some lakes. The goal of forging a common approach was given concrete direction when one of the group’s members had a conversation with a representative of the Local Democracy Fund, who mentioned the possibility of forming a SPAG as permitted under the 1990 Law of Local Government.

The SPAG quickly established a good track record, obtaining funds from the Danish Ministry of Environmental Protection for a wastewater treatment plant in 1992. Since then it has consistently been able to leverage additional financing from outside sources. These have come in the form of loans or grants from the voivodship, environmental funds and the European Union. The most important single investment has been the construction of a wastewater treatment plant in Wolin & Miedzyzdroje.
In addition, coordinating and implementing these projects jointly has greatly improved planning of services and infrastructure across the island. Comprehensive plans were put forth at a conference in October, 1994, attended by ninety-seven professionals, administrators, politicians, consultants and journalists. The proceedings of the conference were compiled in a volume, *Management and Development Program for Wolin Island*, published by the SPAG and Wolin National Park through the Ministry of Environmental Protection.

The Wolin SPAG has two governing bodies: an assembly made up of 12 members, four from each *gmina*. Each *gmina* is represented by a mayor, the head of the *gmina* council and two others, usually at least one director of the *gmina*’s municipal service organization. Below the assembly, the Wolin SPAG administration consists of the three mayors plus the director. The director, Urszula Jakuczun, was one of the founding visionaries of the SPAG, and her skill has been critical in generating grants and loans for SPAG projects. She has survived a number of political transitions: although only one local election has passed, there have been several changes of mayor in each member *gmina*. The progress accomplished under the aegis of the Wolin SPAG is all the more impressive given this level of political turmoil.

<table>
<thead>
<tr>
<th>Year</th>
<th>Miedzyzdroje</th>
<th>Dziwnow</th>
<th>Wolin</th>
</tr>
</thead>
</table>
| 1990 | J. Neukampf | J. Bonkowski | J. Lawrynowicz  
(lost vote of confidence)  
J. Okninski |
| 1994 | W. Zasadzki  
*(lost vote of confidence)*  
S. Sapala | K. Marciniak  
*(lost vote of confidence)*  
M. Mielniczuk | J. Lawrynowicz  
*(lost vote of confidence)*  
A. Kowalski  
(3 month caretaker)  
Z. Zwolan  
(chosen by referendum) |
| 1998 | ?            | ?       | ?     |

Source: interview with U. Jakuczun, 8/7/97, Miedzyzdroje, Poland.
The lack of a single prominent political figure to lead the regional effort may in fact have helped, by increasing the SPAG’s autonomy. However, the Wolin SPAG has not been allocated responsibility for operations and maintenance of infrastructure projects it has funded. Though officially delegated authority for “joint planning and execution” of tasks on the island (Wolin, 1991), SPAG assembly members have interpreted this statement in a narrow fashion. The role of the Wolin SPAG, as limited to financing and planning projects, resembles that of an in-house, permanent project consultant: despite its multimillion dollar budget, it currently operates with only three and a half employees, and only recently got its own offices.

2. Wladyslawowo: Incremental SPAG Development

<table>
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<tbody>
<tr>
<td>Membership:</td>
<td>Wladyslawowo and Jastarnia, regional partnership with Puck.</td>
</tr>
<tr>
<td>Total population:</td>
<td>18,481 (70,000 in entire region, 300,000 in season).</td>
</tr>
<tr>
<td>Special Purpose:</td>
<td>six environmental areas, including water and sewerage system development and solid waste management.</td>
</tr>
<tr>
<td>Major success:</td>
<td>translating consolidated operations into the construction of a political will for regional cooperation.</td>
</tr>
<tr>
<td>Major shortcoming:</td>
<td>ineffective at generating consensus on landfill.</td>
</tr>
</tbody>
</table>

Wladyslawowo is small gmina on the Baltic very near the Gdansk/Gdynia urban agglomeration, at one of the most popular summer tourist destinations. Pollution of the beaches is a major concern, complicated by the geography of the Gdansk bay area (see Map 2). The Special Purpose Association was initially formed to construct a wastewater treatment plant and sewerage network to manage liquid wastes properly. Unlike many SPAGs, the Wladyslawowo organization has been housed within an existing municipal service enterprise, the water authority.
of Wladyslawowo, renamed the Communal Association of Gminy.

The Wladyslawowo water authority itself has a history only slightly longer than the
SPAG role it took on. Prior to 1991, water services were managed by the Gdynia District Water
and Sewerage Enterprise, which operated over half the territory of the Gdansk Voivodship. The
Gdynia District had four branches, one of which was located in Wladyslawowo, serving the Hel
Peninsula (gminy Hel and Jastarnia) along with the gmina and town (miasto) of Puck.9

In February of 1991 the Gdynia Water District entered legal procedures to transfer all of
its assets to the constituent gmina which it had previously served. The voivodship authorities,
under which the district operated, sought payment by the gmina for this transfer. By June, 1991
they gave up and devolved the water utilities to the gmina without compensation. The division of
the water network assets on the basis of gmina territory resulted in some discrepancies of
capacity in each gmina. Puck and Hel had sufficient resources to develop functioning water
enterprises on their territory, while Wladyslawowo had the former branch headquarters. Jastarnia,
with a population of only 3500, was too small to establish its own enterprise, and agreed, with
Wladyslawowo, to manage water provision jointly.

One strong motivation for this unusual step was the stature of the mayor of Jastarnia, who
ran on a conservative, free-market platform and sought to sell off gmina assets (a large number of
private beach homes, for example). For him, allowing a neighbor to run utility operations was not
necessarily a cession of power but an effective way to streamline services. Wladyslawowo, for its
part, felt that poor political connections in the communist period had left it worse off than some

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9 Note that both the gmina and town (miasto) of Puck each have the administrative status of a gmina, though they are
separate entities. It is not unusual for gmina to be divided into an urban portion and a surrounding rural portion,
exacerbating many coordination difficulties. Neighboring gmina are legally able to merge, and several divided
gmina-miasto administrations have been united in this way. These unified gmina sometimes break down, and petition
of its neighbors, and wanted a way to maintain the large branch administration it had inherited. Thus the Jastarnia and Wladyslawowo councils considered developing the former branch of the Gdynia District into an authority serving them both. Two key aspects of the SPAG agreement must be noted. First, the authority was for all intents and purposes to be maintained as part of Wladyslawowo’s budget: the SPAG budget reflects capital expenditures on new projects, but existing assets (down to the individual building) were divided between Wladyslawowo and Jastarnia, heavily weighted towards control by the former. Second, prices were to be kept uniform for each member gmina, an important concession to Jastarnia. The Jastarnia council signed the SPAG accord on July 19th, 1991 and Wladyslawowo followed suit two weeks later.

The SPAG administration resembles that of Wolin closely, with an assembly that ratifies decisions of an executive administration. However, the assembly representatives are all members of gmina councils, rather than technical personnel. The administration, selected for three-year terms, only has a single place for a non-politician. This structure only governs investment planning, determined in advance of member gmina budget preparation deadlines. The operations are run separately, within the Wladyslawowo budget. Only three of the SPAG’s 55 employees are residents of Jastarnia.

SPAG members are able to withdraw from the organization with at least six months notice, which can be executed in December or June of any year. This constant threat of veto power limits trust among members of most SPAGs, though it has not yet proved a problem in Wladyslawowo. While the gmina of Wladyslawowo itself has gone through numerous political upheavals and changes of leadership, the mayor of Jastarnia has remained extremely popular and...
has been a constant in the process. Since it was Jastarnia that ceded significant power, the SPAG may be significantly tested when a new mayor is elected there.

The first step of consolidating service was followed by several subsequent actions that built this relatively modest initial success into a regional approach to environmental problems. A critical juncture took place when a consultant from the voivodship ecology department developed a regional plan to build a comprehensive water system. This was the beginning of a superior working relationship with higher levels of government. The centerpiece of the regional plan was a wastewater treatment plant located in Puck, serving Wladyslawowo and other cities in the area, with effluent piped under both the Gdansk bay and Jastarnia itself into the Baltic sea. While Wladyslawowo and Jastarnia had the administrative structure to execute this development, Puck was brought in with a series of bilateral agreements and understandings.

The technical complexity and size of the wastewater treatment plant were not the only motives to broaden cooperation. In seeking funds to execute the program, the SPAG approached Eko-Fundusz, an important national environmental donor based in Warsaw. Negotiations with Eko-Fundusz hinged around the regional characteristics of the project, and they insisted that its scope be broadened to include more activity in the Puck area beyond the treatment plant. As a result of these interactions, the Wladyslawowo SPAG developed a two-tier structure subsumed within the same organization: operations and management for two gminy under the effective control of Wladyslawowo, combined with planning and financing activities directed for the wider region. One of the SPAG’s stated rationales for expanding its scope was the recognition of a broader public responsibility for a clean environment and neighboring gminy.

While there is no secure institutional administrative framework to guarantee further cooperation between Puck and the SPAG, the success of these ventures have given discussions of
regional action considerable viability. At the time of this writing, this new regional action centers around the siting of an environmentally compliant landfill in the region, which no gmina can easily afford to build on their own. Puck was impressed with the progress made through the water development program, although it remains to be seen if they will be willing to share a landfill site with Wladyslawowo and Jastarnia, whose narrow and sensitive territories cannot hold a landfill.

3. Zywiec: Jointly-Owned Firm (Beskid ltd.)

Years in operation: 1995-present.
Owner gminy: Zywiec (51%) and 14 others (ownership share based on population).
Total population: 150,000 (Zywiec 33,000).
Major success: construction of new regional landfill and comprehensive recycling program.
Major shortcoming: centralization of power under the mayor of Zywiec.

Zywiec lies in the southern Voivodship of Bielsko-Biala, situated on a series of lakes in a mountainous region. It, like Wolin and Wladyslawowo, attracts many tourists through the course of the year, for hiking and skiing. Citizens of Zywiec and the region were made especially aware of the solid waste problem after flooding in 1991 caused spillover of solid waste from existing landfills, resulting in severe pollution of the lake. A comprehensive response was developed, centered on Zywiec as the largest town in the area (see Map 3) and given a high profile by the popular mayor of Zywiec, Jerzy Widzyk.

An initial program of environmental action begun in 1991 centered around two aspects: raising awareness of environmental problems in the region and a proactive investment strategy. The
Zywiec city council pledged to give at least 10% of the budget for environmental protection efforts\textsuperscript{10}, and a bureau was formed to identify sources of inexpensive or preferential credit for environmental projects. The focus of these investment strategies included three broad categories: water purification, air protection (by replacing individual coal furnaces with gas), and solid waste handling.

The town administration had prior experience with a SPAG institution, for one had been organized to develop the regional gas network. This had been a frustrating experience, "slow and inefficient" according to mayor Widzyk. Rather than duplicate that strategy, the mayor pushed the idea of a joint-stock company owned collectively by the region's gminy, with the site contributed by Zywiec and Zywiec having final decision-making authority. The administrative structure was finalized in early 1994, and 17 other gminy were invited to invest in the structure. Although there was general interest by all gminy in the region, many were concerned with Zywiec's guaranteed 51% ownership share, and hesitated. The 1994 elections, and the threat of defeat at the polls, put pressure on the mayors to resolve the issue immediately. Nine gminy initially signed on board, and the Beskid joint-stock company\textsuperscript{11} was registered two days before the election. Six other gminy in the area eventually invested in Beskid, as their searches for other acceptable landfill sites fell through, by a combination of the unfavorable mountainous topography, local opposition and high costs. The final two members, Wilkowice and Buczkowice, send solid waste to the Bielsko-Biała landfill, but utilize the recycling facilities at Beskid. They do not have an ownership stake, and recycling materials are not charged a tipping fee (and are not generally profitable for Beskid given current market conditions).

\textsuperscript{10} This 10% criteria has been met or not met depending on one's definition of environmental protection investments.

\textsuperscript{11} Beskid is the name of a mountainous southern region of Poland noted for its natural beauty and the solidarity among its residents, the mountaineers (gorale).
Despite the fact that it was set up as a private firm operating under commercial law, Beskid ltd. received funding from government sources. In addition, although it is separated from the *gmina* budget\(^{12}\), and receives no direct subsidies, Beskid ltd. pays only half the normal property tax. The *voivodship* ruled that private firms wholly owned by *gminy* could receive grants and preferential loans normally reserved for public institutions. The *voivodship* looked favorably on the arrangement in part because of the comprehensive nature of the program. The objective was not only the creation of a modern and safe landfill, but a complete recycling program for the region, including an effective educational component. As many of these expenditures were spread over more than a dozen *gminy*, Main elements of the program consist of the following:

- new landfill located in Zywiec, with impermeable lining, recycling sorting facilities and waste effluent treatment station;
- educational materials developed through grants from the *voivodship* environmental fund;
- *gminy* pay for colored plastic bags used for separating recyclable materials;
- referendums for citizens in member *gminy* to determine recycling preferences; and
- two composting tanks developed at the Beskid landfill site.

Nevertheless, the operating structure of Beskid ltd. leaves almost complete control in the hands of the mayor of Zywiec. Two *gminy*, which only deposit recyclable materials that provide some revenue for Beskid ltd., are not represented administratively. The mayor of Zywiec has a permanent seat on the 5-member board of directors. The other four seats are filled from 2-year rotations among sub-regions. Therefore some mayors of owner *gminy* might never have any say over investment or operating decisions. Zywiec’s 51% ownership position ensures full control. This structure is in marked contrast to the Wolin SPAG, where multiple and diverse *gmina* representation ensure an adequate understanding of the tradeoffs involved in development decisions.

\(^{12}\) Unlike the vast majority of public enterprises in Poland, which are not separately accounted for in *gmina* budgets.
4. Brwinow: Lack of Outside Funds and Progress

Membership: Pruszkow, Brwinow and seven smaller gminy.
Total population: 160,000 (Pruszkow 50,000).
Stated Purpose: "management of solid waste and minimizing harmful environmental impact from the Pruszkow II generator."
Major success: "staying in operation for 4 years" (response to a 1995 survey).
Major shortcoming: lack of sustained progress mobilizing revenue.

The Brwinow SPAG is located in the Warsaw Voivodship, an hour west of the capital. Though the seat of the SPAG is in Brwinow, the largest member is Pruszkow, with more than twice the population of the next largest member gmina. Ninety percent of the solid waste produced by members of the Brwinow SPAG is deposited in a landfill in the village of Gasinie, a landfill that will soon exceed its capacity. The SPAG went through several minor shifts early in its existence that were distracting, making minor modifications in the statute of incorporation that took months for the central government to process. An eighth member gmina, Podkowa Lesna, with only 3500 inhabitants, dropped out because its wastes were being hauled to a different landfill, and even the small monthly SPAG membership fees were deemed a burden to the gmina.

Solid waste infrastructure has not been expanded through the Brwinow SPAG. The landfill site, on the location of the mothballed Pruszkow II generator, was not especially contentious. It is on Brwinow's terrain immediately adjacent to gmina Pruszkow, and the land was slated to hold ash waste from the generator.
The Brwinow SPAG had some early success with a small amount of PHARE seed money and voivodship funding to create feasibility studies for the landfill. It has also successfully identified a Danish partner and Danish funding sources to develop initial specifications for a new landfill. However, it has not been able to secure construction funds from either the Warsaw voivodship fund for environmental protection or the National fund, which it has budgeted to cover 50% of the costs. As a result of this delay it is unclear whether the Danish funds will continue to be available, should the voivodship decide to lend or grant funding. The Warsaw voivodship fund may simply lack the financing, since Warsaw itself competes for funds and likely receives consideration ahead of other gminy, including Brwinow and its partners.

For these and possibly other reasons, Brwinow has not received the outside support that it has budgeted for the project. The urgency of developing the new landfill has not been great enough for member gminy to share more of the costs by increasing the amount of their contribution from the current 25%, and the widespread availability of grants and loans from higher levels of government create a disincentive to do so. This lack of funding has hobbled the organization.

The Brwinow SPAG general assembly consists of 16 members, two from each gmina except Pruszkow, which gets four votes on account of its greater population. The general assembly selects three people to serve as the administrative body. Joanna Grabinska was the first director of the administration, but she was demoted after the 1994 election under pressure from Pruszkow, which installed its own director. The change was mostly cosmetic, and Ms. Grabinska continues to provide most of the day-to-day work of the SPAG. It should be noted that there was almost no turnover of mayors during the 1994 elections or in the course of the term in any of the member gminy.
5. Lublin: A Bilateral Non-Cooperative Approach

Years in operation: 1996-present.
Total population: 450,000 (Lublin 360,000).
Major success: construction of a landfill.
Major shortcoming: extremely high transaction costs.

Lublin is one of the larger cities in Poland, some 250km southeast of Warsaw on the eastern plains of the country. Like many urban agglomerations, it is constrained within borders that make landfill siting problematic. In the early 1990s Lublin’s landfill was rapidly running out of space, and a new site was identified in a partially exhausted gravel quarry the village of Rokitno in nearby gmina Lubartow.

Lublin entered into negotiations with Lubartow in 1992, and acted on behalf of two neighboring gminy which had previously used its landfill. There was some disguise of the source of the wastes, in order to minimize adverse citizen reaction in Lubartow. Lublin acted as the sole negotiator, with separate contracts worked out for the other gminy. Wastes from these other gminy are currently trucked through a transfer station in Lublin. It is unlikely that Rokitno residents are generally aware of this situation.

The results of these negotiations are striking, and attest to the power of local governments, the difficulties in cooperation between gminy, and the strength of local public reaction to undesirable construction in Poland. While it is commonplace for residents near a new landfill to receive concessions in the form of significant infrastructure improvements, the Lubartow negotiating team was particularly skilled. After three years of delay and evasion, construction on the new landfill was permitted under the following conditions, services and products provided at no cost to Lubartow residents.
• Guarantee of employment for inhabitants of Rokitno and 3 other villages
• Provision of water supply system to every household in Rokitno and 3 other villages
• Construction of a waste water treatment plant to serve Rokitno and one other village
• Free provision of 75l of water per person per day to inhabitants of Rokitno and 3 other villages, for the duration of landfill operation
• 50% participation in costs of extending telephone service to Rokitno and 4 other villages
• Construction of a new road and adding a sidewalk to an existing road in the area
• Expansion of a local primary school gym
• Construction of a new well to provide 3 villages with reserve water
• Provision of a feasibility study for a water system in two separate villages
• Assist in construction of a new Catholic church for the area

The divisive nature of this process shows that decision making in landfill siting has less to do with the strength of a project’s merits than with the political position of the decision-making actors. It is not even clear if Lubartow “won” the negotiations, however. They do not have a share of any revenues from the landfill, nor is any insurance policy in place in the event of leakage from the site and contamination of residents’ drinking water.

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